

# **EL DORADO COUNTY**

## **Audit Report**

### **ANIMAL ADOPTION PROGRAM**

Civil Code Sections 1834 and 1846 and Food and Agriculture Code  
Sections 31108, 31752, 31752.5, 31753, 32001, and 32003  
(added and amended by Chapter 752, Statutes of 1998)

*July 1, 2001, through June 30, 2009,  
excluding July 1, 2003, through June 30, 2006*



**JOHN CHIANG**  
California State Controller

July 2011



**JOHN CHIANG**  
**California State Controller**

July 22, 2011

The Honorable Ray Nutting, Chairman  
Board of Supervisors  
El Dorado County  
330 Fair Lane  
Placerville, CA 95667

Dear Mr. Nutting:

The State Controller's Office audited the costs claimed by El Dorado County for the legislatively mandated Animal Adoption Program (Civil Code sections 1834 and 1846 and Food and Agriculture Code sections 31108, 31752, 31752.5, 31753, 32001, and 32003 [added and amended by Chapter 752, Statutes of 1998]) for the period of July 1, 2001, through June 30, 2009, excluding July 1, 2003, through June 30, 2006.

The county claimed \$4,304,093 (\$4,305,093 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$335,000 is allowable and \$3,969,093 is unallowable primarily because the county claimed unallowable costs, unsupported costs, misclassified costs, ineligible employees, and ineligible animals; claimed incorrect pro rata percentages; misstated animal census data; and overstated offsetting revenues. The State paid the county \$1,008,595. The amount paid exceeds allowable costs claimed by \$673,595.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's Web site at [www.csm.ca.gov/docs/IRCForm.pdf](http://www.csm.ca.gov/docs/IRCForm.pdf).

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

JVB/vb

cc: The Honorable Joe Harn, Auditor-Controller  
El Dorado County  
Kathy Sergeant, Principal Financial Analyst  
El Dorado County Auditor-Controller's Office  
Jon DeVille, Senior Department Analyst  
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Tara Filipich, Administrative Services Officer  
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Henry Brzezinski, Chief of Animal Services  
El Dorado County Animal Services Department  
Neda West, Director  
El Dorado County Health Services Department  
Lori Walker, Administrative Services Officer  
El Dorado County Health Services Department  
Jeff Carosone, Principal Program Budget Analyst  
Cor-Gen Unit, Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by El Dorado County for the legislatively mandated Animal Adoption Program (Civil Code sections 1834 and 1846 and Food and Agriculture Code sections 31108, 31752, 31752.5, 31753, 32001, and 32003 [added and amended by Chapter 752, Statutes of 1998]) for the period of July 1, 2001, through June 30, 2009, excluding July 1, 2003, through June 30, 2006.

The county claimed \$4,304,093 (\$4,305,093 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$335,000 is allowable and \$3,969,093 is unallowable primarily because the county claimed unallowable costs, unsupported costs, misclassified costs, ineligible employees, and ineligible animals; claimed incorrect pro rata percentages; misstated animal census data; and overstated offsetting revenues. The State paid the county \$1,008,595. The amount paid exceeds allowable costs claimed by \$673,595.

## Background

Food and Agriculture Code sections 31108, 31752-31753, 32001, and 32003 (added and amended by Chapter 752, Statutes of 1998) attempted to end the euthanasia of adoptable and treatable animals. It expressly identifies the state policy that "no adoptable animal should be euthanized if it can be adopted into a suitable home" and that "no treatable animal should be euthanized." The legislation increases the holding period for stray and abandoned dogs, cats, and other specified animals. It also requires public or private shelters to:

- Verify the temperament of feral cats;
- Post lost-and-found lists;
- Maintain records for impounded animals; and
- Ensure that impounded animals receive necessary and prompt veterinary care.

On January 25, 1981, the Commission on State Mandates (CSM) determined that Chapter 752, Statutes of 1998, imposed a state mandate reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. CSM adopted the parameters and guidelines on February 28, 2002, corrected them on March 20, 2002, and last amended them on January 26, 2006. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

For fiscal year (FY) 2003-04, the Legislature suspended the Animal Adoption Program.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Animal Adoption Program for the period of July 1, 2001, through June 30, 2009, excluding July 1, 2003, through June 30, 2006.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the county's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the county's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## **Conclusion**

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, El Dorado County claimed \$4,304,093 (\$4,305,093 less a \$1,000 penalty for filing a late claim) for costs of the Animal Adoption Program. Our audit disclosed that \$335,000 is allowable and \$3,969,093 is unallowable.

For the FY 2001-02 claim, the State made no payment to the county. Our audit disclosed that \$42,711 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$42,711, contingent upon available appropriations.

For the FY 2002-03 claim, the State made no payment to the county. Our audit disclosed that \$58,485 is allowable (\$59,485 less a \$1,000 penalty for filing a late claim). The State will pay allowable costs claimed that exceed the amount paid, totaling \$58,485, contingent upon available appropriations.

For the FY 2006-07 claim, the State paid the county \$1,008,595. Our audit disclosed that \$74,353 is allowable. The State will offset \$934,242 from other mandated program payment due the county. Alternatively, the county may remit this amount to the State.

For the FY 2007-08 claim, the State made no payment to the county. Our audit disclosed that \$90,208 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$90,208, contingent upon available appropriations.

For the FY 2008-09 claim, the State made no payment to the county. Our audit disclosed that \$69,243 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$69,243, contingent upon available appropriations.

**Views of  
Responsible  
Official**

We issued a draft audit report on June 8, 2011. Joe Harn, Auditor-Controller, responded by letter dated July 8, 2011 (Attachment), agreeing with the audit results except for Findings 1, 2, 3, and 4. This final audit report includes the county's response.

**Restricted Use**

This report is solely for the information and use of El Dorado County, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

July 22, 2011

**Schedule 1—  
Summary of Program Costs  
July 1, 2001, through June 30, 2009,  
excluding July 1, 2003, through June 30, 2006**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 2001, through June 30, 2002</u>				
Care and maintenance of dogs and cats	\$ 3,922	\$ 2,777	\$ (1,145)	Finding 5
Care and maintenance of other animals	—	79	79	Finding 5
Holding period	17,568	20,801	3,233	Finding 6
Feral cats	9,139	346	(8,793)	Finding 7
Lost-and-found lists	17,161	3,049	(14,112)	Finding 8
Non-medical records	7,064	3,557	(3,507)	Finding 9
Veterinary care	1,022	3,387	2,365	Finding 10
Procuring equipment	9,572	8,715	(857)	Finding 11
Total direct and indirect costs	65,448	42,711	(22,737)	
Less offsetting revenues	(3,070)	—	3,070	Finding 12
Total program costs	<u>\$ 62,378</u>	<u>42,711</u>	<u>\$ (19,667)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 42,711</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Policies and procedures	\$ 2,958	\$ 2,958	\$ —	
Training	503	503	—	Finding 1
Computer software	23,455	—	(23,455)	Finding 2
Renovating facilities	1,326	—	(1,326)	Finding 4
Care and maintenance of dogs and cats	4,566	3,738	(828)	Finding 5
Care and maintenance of other animals	—	106	106	Finding 5
Holding period	44,414	20,463	(23,951)	Finding 6
Feral cats	7,140	390	(6,750)	Finding 7
Lost-and-found lists	24,377	3,078	(21,299)	Finding 8
Non-medical records	17,171	24,827	7,656	Finding 9
Veterinary care	2,348	3,422	1,074	Finding 10
Total direct and indirect costs	128,258	59,485	(68,773)	
Less late filing penalty	(1,000)	(1,000)	—	
Total program costs	<u>\$ 127,258</u>	<u>58,485</u>	<u>\$ (68,773)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 58,485</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Policies and procedures	\$ 409	\$ 409	\$ —	
Training	2,549	—	(2,549)	Finding 1
Computer software	7,224	—	(7,224)	Finding 2
Acquiring space and facilities	679,642	—	(679,642)	Finding 3
Renovating facilities	117,866	—	(117,866)	Finding 4



## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 2006, through June 30, 2007</u> (continued)				
Care and maintenance of dogs and cats	31,788	8,774	(23,014)	Finding 5
Care and maintenance of other animals	1,288	188	(1,100)	Finding 5
Holding period	17,400	28,922	11,522	Finding 6
Feral cats	42,753	392	(42,361)	Finding 7
Lost-and-found lists	21,610	4,237	(17,373)	Finding 8
Non-medical records	67,582	12,675	(54,907)	Finding 9
Veterinary care	—	3,969	3,969	Finding 10
Procuring equipment	18,484	14,787	(3,697)	Finding 11
Total program costs	<u>\$ 1,008,595</u>	<u>74,353</u>	<u>\$ (934,242)</u>	
Less amount paid by the State		<u>(1,008,595)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (934,242)</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Computer software	\$ 2,890	\$ —	\$ (2,890)	Finding 2
Acquiring space and facilities	2,474,925	—	(2,474,925)	Finding 3
Care and maintenance of dogs and cats	12,969	8,313	(4,656)	Finding 5
Care and maintenance of other animals	44,695	265	(44,430)	Finding 5
Holding period	25,678	41,731	16,053	Finding 6
Feral cats	76,886	709	(76,177)	Finding 7
Lost-and-found lists	25,339	5,496	(19,843)	Finding 8
Non-medical records	65,174	15,631	(49,543)	Finding 9
Veterinary care	—	4,055	4,055	Finding 10
Procuring equipment	12,764	14,008	1,244	Finding 11
Total program costs	<u>\$ 2,741,320</u>	<u>90,208</u>	<u>\$ (2,651,112)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (90,208)</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Training	\$ 3,249	\$ —	\$ (3,249)	Finding 1
Computer software	2,890	—	(2,890)	Finding 2
Acquiring space and facilities	260,295	—	(260,295)	Finding 3
Care and maintenance of dogs and cats	16,291	5,590	(10,701)	Finding 5
Care and maintenance of other animals	4,256	220	(4,036)	Finding 5
Holding period	25,148	39,527	14,379	Finding 6
Feral cats	2,763	681	(2,082)	Finding 7
Lost-and-found lists	17,251	4,980	(12,271)	Finding 8
Non-medical records	26,160	14,563	(11,597)	Finding 9
Veterinary care	—	3,568	3,568	Finding 10
Procuring equipment	6,239	114	(6,125)	Finding 11
Total program costs	<u>\$ 364,542</u>	<u>69,243</u>	<u>\$ (295,299)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 69,243</u>		

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 2001, through June 30, 2009,</u> <u>excluding July 1, 2002, through</u> <u>June 30, 2006:</u>				
Policies and procedures	\$ 3,367	\$ 3,367	\$ —	
Training	6,301	503	(5,798)	
Computer software	36,459	—	(36,459)	
Acquiring space and facilities	3,414,862	—	(3,414,862)	
Renovating facilities	119,192	—	(119,192)	
Care and maintenance of dogs and cats	69,536	29,192	(40,344)	
Care and maintenance of other animals	50,239	858	(49,381)	
Holding period	130,208	151,444	21,236	
Feral cats	138,681	2,518	(136,163)	
Lost-and-found lists	105,738	20,840	(84,898)	
Non-medical records	183,151	71,253	(111,898)	
Veterinary care	3,370	18,401	15,031	
Procuring equipment	47,059	37,624	(9,435)	
Total direct and indirect costs	4,308,163	336,000	(3,972,163)	
Less offsetting revenues	(3,070)	—	3,070	
Less late filing penalty	(1,000)	(1,000)	—	
Total program costs	<u>\$ 4,304,093</u>	335,000	<u>\$ (3,969,093)</u>	
Less amount paid by the State		(1,008,595)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (673,595)</u>		

<sup>1</sup> See the Findings and Recommendations section.

**Schedule 2—  
Summary of Care and Maintenance Costs  
July 1, 2001, through June 30, 2009,  
excluding July 1, 2003, through June 30, 2006**

Category	Claimed		Actual Costs Claimed	Allowable Per Audit		Total Allowable Costs	Audit Adjustments
	Salaries and Benefits <sup>1</sup>	Materials and Supplies		Salaries and Benefits <sup>1</sup>	Materials and Supplies		
<u>July 1, 2001, through June 30, 2002</u>							
Total care and maintenance costs	\$ 69,623	\$ 9,172		\$ 105,763	\$ 8,579		
Total animal census	÷ 4,380	÷ 4,380		÷ 43,577	÷ 43,577		
Cost per day	<u>\$15.90</u>	<u>\$ 2.09</u>		<u>\$ 2.43</u>	<u>\$ 0.20</u>		
Care and maintenance of dogs and cats:							
Cost per day	\$15.90	\$ 2.09		\$ 2.43	\$ 0.20		
Number of eligible dogs and cats	× 109	× 109		× 352	× 352		
Reimbursable days	× 2	× 2		× 3	× 3		
Total care and maintenance costs for dogs and cats	<u>\$ 3,466</u>	<u>\$ 456</u>	<u>\$ 3,922</u>	<u>\$ 2,566</u>	<u>\$ 211</u>	<u>\$ 2,777</u>	<u>\$ (1,145)</u>
Care and maintenance of other “eligible” animals:							
Cost per day	\$15.90	\$ 2.09		\$ 2.43	\$ 0.20		
Number of eligible other animals	× —	× —		× 5	× 5		
Reimbursable days	× 4	× 4		× 6	× 6		
Total care and maintenance costs for other animals	<u>—</u>	<u>—</u>	<u>—</u>	<u>73</u>	<u>6</u>	<u>79</u>	<u>79</u>
Total care and maintenance	<u>\$ 3,466</u>	<u>\$ 456</u>	<u>\$ 3,922</u>	<u>\$ 2,639</u>	<u>\$ 217</u>	<u>\$ 2,856</u>	<u>\$ (1,066)</u>
<u>July 1, 2002, through June 30, 2003</u>							
Total care and maintenance costs	Unknown	\$ 22,445		\$ 142,576	\$ 11,818		
Total animal census	Unknown	Unknown		÷ 43,577	÷ 43,577		
Cost per day	<u>\$ 3.06</u>	<u>\$ 3.06</u>		<u>\$ 3.27</u>	<u>\$ 0.27</u>		
Care and maintenance of dogs and cats:							
Cost per day	\$ 3.06	\$ 3.06		\$ 3.27	\$ 0.27		
Number of eligible dogs and cats	× 746	× —		× 352	× 352		
Reimbursable days	× 2	× 2		× 3	× 3		
Total care and maintenance costs for dogs and cats	<u>\$ 4,566</u>	<u>\$ —</u>	<u>\$ 4,566</u>	<u>\$ 3,453</u>	<u>\$ 285</u>	<u>\$ 3,738</u>	<u>\$ (828)</u>
Care and maintenance of other “eligible” animals:							
Cost per day	\$ 3.06	\$ 3.06		\$ 3.27	\$ 0.27		
Number of eligible other animals	× —	× —		× 5	× 5		
Reimbursable days	× 4	× 4		× 6	× 6		
Total care and maintenance costs for other animals	<u>—</u>	<u>—</u>	<u>—</u>	<u>98</u>	<u>8</u>	<u>106</u>	<u>106</u>
Total care and maintenance	<u>\$ 4,566</u>	<u>\$ —</u>	<u>\$ 4,566</u>	<u>\$ 3,551</u>	<u>\$ 293</u>	<u>\$ 3,844</u>	<u>\$ (722)</u>
<u>July 1, 2006, through June 30, 2007</u>							
Total care and maintenance costs	\$ 158,546	\$ 97,371		\$ 266,797	\$ 8,491		
Total animal census	÷ 15,892	÷ 15,892		÷ 35,204	÷ 35,204		
Cost per day	<u>\$ 9.977</u>	<u>\$ 6.127</u>		<u>\$ 7.58</u>	<u>\$ 0.24</u>		
Care and maintenance of dogs and cats:							
Cost per day	\$ 9.977	\$ 6.127		\$ 7.58	\$ 0.24		
Number of eligible dogs and cats	× 987	× 987		× 374	× 374		
Reimbursable days	× 2	× 2		× 3	× 3		
Total care and maintenance costs for dogs and cats	<u>\$ 19,694</u>	<u>\$ 12,094</u>	<u>\$ 31,788</u>	<u>\$ 8,505</u>	<u>\$ 269</u>	<u>\$ 8,774</u>	<u>\$ (23,014)</u>

**Schedule 2 (continued)**

Category	Claimed		Actual Costs Claimed	Allowable Per Audit		Total Allowable Costs	Audit Adjustments
	Salaries and Benefits <sup>1</sup>	Materials and Supplies		Salaries and Benefits <sup>1</sup>	Materials and Supplies		
<u>July 1, 2006, through June 30, 2007 (continued)</u>							
Care and maintenance of other “eligible” animals:							
Cost per day	\$ 9.977	\$ 6.127		\$ 7.58	\$ 0.24		
Number of eligible other animals	× 20	× 20		× 4	× 4		
Reimbursable days	× 4	× 4		× 6	× 6		
Total care and maintenance costs for other animals	798	490	1,288	182	6	188	(1,100)
Total care and maintenance	<u>\$ 20,492</u>	<u>\$ 12,584</u>	<u>\$ 33,076</u>	<u>\$ 8,687</u>	<u>\$ 275</u>	<u>\$ 8,962</u>	<u>\$ (24,114)</u>
<u>July 1, 2007, through June 30, 2008</u>							
Total care and maintenance costs	\$ 169,636	\$ 108,240		\$ 325,144	\$ 8,504		
Total animal census	21,726	21,726		÷ 45,265	÷ 45,265		
Cost per day	<u>\$ 7.808</u>	<u>\$ 4.982</u>		<u>\$ 7.18</u>	<u>\$ 0.19</u>		
Care and maintenance of dogs and cats:							
Cost per day	\$ 7.808	\$ 4.982		\$ 7.18	\$ 0.19		
Number of eligible dogs and cats	× 507	× 507		× 376	× 376		
Reimbursable days	× 2	× 2		× 3	× 3		
Total care and maintenance costs for dogs and cats	<u>\$ 7,917</u>	<u>\$ 5,052</u>	\$ 12,969	<u>\$ 8,099</u>	<u>\$ 214</u>	\$ 8,313	\$ (4,656)
Care and maintenance of other “eligible” animals:							
Cost per day	\$ 7.808	\$ 4.832		\$ 7.18	\$ 0.19		
Number of eligible other animals	× 884	× 884		× 6	× 6		
Reimbursable days	× 4	× 4		× 6	× 6		
Total care and maintenance costs for other animals	27,609	17,086	44,695	258	7	265	(44,430)
Total care and maintenance	<u>\$ 35,526</u>	<u>\$ 22,138</u>	<u>\$ 57,664</u>	<u>\$ 8,357</u>	<u>\$ 221</u>	<u>\$ 8,578</u>	<u>\$ (49,086)</u>
<u>July 1, 2008, through June 30, 2009</u>							
Total care and maintenance costs	\$ 329,066	\$ 108,870		\$ 294,014	\$ 12,013		
Total animal census	÷ 25,108	÷ 25,108		÷ 50,263	÷ 50,263		
Cost per day	<u>\$13.106</u>	<u>\$ 4.336</u>		<u>\$ 5.85</u>	<u>\$ 0.24</u>		
Care and maintenance of dogs and cats:							
Cost per day	\$13.106	\$ 4.336		\$ 5.85	\$ 0.24		
Number of eligible dogs and cats	× 467	× 467		× 306	× 306		
Reimbursable days	× 2	× 2		× 3	× 3		
Total care and maintenance costs for dogs and cats	<u>\$ 12,241</u>	<u>\$ 4,050</u>	\$ 16,291	<u>\$ 5,370</u>	<u>\$ 220</u>	\$ 5,590	\$ (10,701)
Care and maintenance of other “eligible” animals:							
Cost per day	\$13.106	\$ 4.336		\$ 5.85	\$ 0.24		
Number of eligible other animals	× 61	× 61		× 6	× 6		
Reimbursable days	× 4	× 4		× 6	× 6		
Total care and maintenance costs for other animals	3,198	1,058	4,256	211	9	220	(4,036)
Total care and maintenance	<u>\$ 15,439</u>	<u>\$ 5,108</u>	<u>\$ 20,547</u>	<u>\$ 5,581</u>	<u>\$ 229</u>	<u>\$ 5,810</u>	<u>\$ (14,737)</u>

## Schedule 2 (continued)

Category	Claimed		Actual Costs Claimed	Allowable Per Audit		Total Allowable Costs	Audit Adjustments
	Salaries and Benefits <sup>1</sup>	Materials and Supplies		Salaries and Benefits <sup>1</sup>	Materials and Supplies		
<u>Summary: July 1, 2001, through June 30, 2009, excluding July 1, 2002, through June 30, 2006</u>							
Total care and maintenance costs for dogs and cats	\$ 47,884	\$ 21,652	\$ 69,536	\$ 27,993	\$ 1,199	\$ 29,192	\$ (40,344)
Total care and maintenance costs for other animals	31,605	18,634	50,239	822	36	858	(49,381)
Total care and maintenance	\$ 79,489	\$ 40,286	\$ 119,775	\$ 28,815	\$ 1,235	\$ 30,050	\$ (89,725)

NOTE: Calculations using “cost per day” amounts may vary due to rounding.

<sup>1</sup> Includes related indirect costs.

# Findings and Recommendations

## **FINDING 1— Unallowable training costs**

The county claimed \$6,301 during the audit period under this cost component. We determined that \$5,798 is unallowable because the training claimed pertains to general shelter operations. Training is only reimbursable if it pertains to the reimbursable activities of the Animal Adoption Program. Unallowable costs were associated with sending animal shelter staff to animal care conferences.

The following table summarizes the claimed, allowable, and unallowable costs for the audit period by fiscal year:

<u>Category</u> <u>Fiscal Year</u>	<u>Amount</u> <u>Claimed</u>	<u>Amount</u> <u>Allowable</u>	<u>Audit</u> <u>Adjustment</u>
Salaries and benefits:			
2002-03	\$ 391	\$ 391	\$ —
2006-07	1,051	—	(1,051)
2008-09	1,859	—	(1,859)
Total salaries and benefits	3,301	391	(2,910)
Related indirect costs:			
2002-03	112	112	—
2006-07	391	—	(391)
2008-09	865	—	(865)
Total related indirect costs	1,368	112	(1,256)
Materials and supplies:			
2006-07	357	—	(357)
Travel and training:			
2006-07	750	—	(750)
2008-09	525	—	(525)
Total travel and training	1,275	—	(1,275)
Total	\$ 6,301	\$ 503	\$ (5,798)

The parameters and guidelines (Section IV.A.1—One Time Activities) identify the following one-time reimbursable activity:

Train staff on the reimbursable activities listed in Section IV (B) of these parameters and guidelines. (One-time per employee.)

### Recommendation

We recommend that the county establish and implement procedures to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

### County's Response

Requested correction. Fiscal years 2007-08 should be 2008-09.

Auditor-Controller's Response to Finding:

In respect to fiscal year's 2006-07 and 2008-09, we concur with finding and recommendation. Specifically, the backup provided with the claim specifically indicates that the training claimed is associated with an

Animal Control Conference, which included activities not associated with training staff on reimbursable activities.

Fiscal year 2002-03. Do not concur. A listing of attendees and documentation included with the claim states that the training was to train staff on reimbursable activities.

#### SCO's Comment

The finding was revised to add allowable costs totaling \$503 for one-time employee training in FY 2002-03. The recommendation remains unchanged.

In its response, the county stated that "a listing of attendees and documentation included with the claim states that the training was to train staff on reimbursable activities." However, the documentation provided consisted only of a listing of employees on claim form AA-2 and a statement that the employees listed on the form "received a one-time training (2 hours) related to the policies and procedures of the Animal Adoption requirements." The county did not submit any corroborating documentation supporting the hours claimed nor the content of the training. However, we noted that the parameters and guidelines for the mandated program were adopted on February 28, 2002. Therefore, it seems reasonable that the county would have trained its employees on the requirements of the mandated program during FY 2002-03. Therefore, we determined that these costs should be allowable.

#### **FINDING 2— Unsupported and misclassified computer software costs**

The county claimed \$36,459 during the audit period for costs incurred to develop and procure software for the maintenance of animal records. Costs totaling \$8,892 are unallowable because they were unsupported and \$27,567 was misclassified. The misclassified costs were associated with licensing renewal fees incurred for the Chameleon software system. These costs were re-classified and analyzed in the Non-Medical Records cost component as contract services costs.

The following table summarizes the claimed, allowable, and unallowable costs for the audit period by fiscal year:

<u>Category</u> <u>Fiscal Year</u>	<u>Amount</u> <u>Claimed</u>	<u>Amount</u> <u>Allowable</u>	<u>Audit</u> <u>Adjustment</u>
Salaries and benefits:			
2002-03	\$ 6,909	\$ —	\$ (6,909)
Related indirect costs:			
2002-03	1,983	—	(1,983)
Contract services:			
2002-03	14,563	—	(14,563)
2006-07	7,224	—	(7,224)
2007-08	2,890	—	(2,890)
2008-09	2,890	—	(2,890)
Total contract services	27,567	—	(27,567)
Total	\$ 36,459	\$ —	\$ (36,459)

### Unsupported Salaries, Benefits, and Related Indirect Costs

For fiscal year (FY) 2002-03, the county claimed \$8,892 for salaries, benefits, and related indirect costs. The costs claimed related to 171.5 hours spent by two Information Technology employees for procurement of the Chameleon software and training on the maintenance of animal records. The costs are unallowable because the county was not able to provide any support for the hours claimed.

### Misclassified Contract Services

For FY 2002-03, and in FY 2006-07 through FY 2008-09, the county claimed \$27,567 under contract services for annual license renewal fees for the Chameleon software system. The entire amount was reclassified to the Non-Medical Records cost component.

The parameters and guidelines (Section IV.A.3–One Time Activities) identify the following one-time reimbursable activity:

Develop or procure computer software for the maintenance of records on animals specified in Section IV (B) (8) of the parameters and guidelines to the extent these cost are not claimed as an indirect cost under Section V (B) (8) of the parameters and guidelines. If the computer software is utilized in some way that is not directly related to the maintenance of records specified in Section IV (B) (8), only the pro rata portion of the activities that is used for compliance with Section IV (B) (8) is reimbursable.

### Recommendation

We recommend that the county establish and implement procedures to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

### County's Response

Reclassification Computer Software Purchase from contract services to non-medical records, fiscal years 2002-03, and 2006-07 through 2008-09. Concur with reclassification.

Unsupported Salaries and Benefits – Do not concur – In fiscal year 2002-03, the County and Department of Health Services claimed costs associated with employees under the Health Department Administration division, information technology classification. The Health Services Department asserts that detail timekeeping records were maintained in support of the hours claimed; however these records have since been destroyed. Given the delay in audit, the reasonableness of the hours claimed, and the fact that these costs are eligible for reimbursement under the program, we request that the State consider the hours claimed and salary costs currently retained with the claim backup as sufficient in support of these one time costs.



SCO's Comment

The finding and recommendation remain unchanged.

In its response, the county confirms that the 171.5 hours claimed for two Information Technology employees for procurement of the Chameleon software system and training on the maintenance of animal records is unsupported. The county states that the "detail timekeeping records were maintained in support of the hours claimed; however these records have since been destroyed." However, the county requests that the hours be allowable, given the delay to initiate the audit, the reasonableness of the hours claimed, and because the costs are eligible for reimbursement.

We concur that the costs claimed may be eligible for reimbursement. However, we cannot determine that the number of hours spent for the activities in question were reasonable without some corroborating information. We disagree that costs should be allowable given the delay in initiating the audit. The county filed its claim for FY 2002-03 on January 14, 2005. The supporting documentation should have been kept with the county's claim and available for audit. We initiated our audit on March 4, 2010.

The parameters and guidelines (section VI. Supporting Data) state:

For auditing purposes, all costs claimed shall be traceable to source documents (e.g., employee time records, cost allocation reports, invoices, receipts, purchase orders, contracts, worksheets, calendars, declarations, time studies, etc.) that show evidence of the validity of such costs and their relationship to this mandate. All documentation in support of claimed costs shall be made available to the State Controller's Office, as may be requested. Pursuant to Government Code section 1755 8.5, these documents must be kept on file by the agency submitting the claim for a period of no less than two years after the later of (1) the end of the calendar year in which the reimbursement claim is filed or last amended, or (2) if no funds are appropriated for the fiscal year for which the claim is made, the date of initial payment of the claim.

As no funds were appropriated for FY 2002-03 Animal Adoption Program claims and no payment was made, the supporting documentation should have remained available for audit.

**FINDING 3—  
Unallowable costs for  
acquisition of additional  
space and/or construction  
of new facilities**

The county claimed \$3,414,862 under this cost component during the audit period. We determined that the entire amount is unallowable because the costs were not incurred in order to comply with the mandated program.

The following table summarizes the claimed, allowable, and unallowable costs by fiscal year:

<u>Category</u> <u>Fiscal Year</u>	<u>Amount</u> <u>Claimed</u>	<u>Amount</u> <u>Allowable</u>	<u>Audit</u> <u>Adjustment</u>
Materials and supplies:			
2008-09	\$ 260,295	\$ —	\$ (260,295)
Fixed assets:			
2006-07	679,642	—	(679,642)
2007-08	2,474,925	—	(2,474,925)
Total fixed assets	3,154,567	—	(3,154,567)
Total	\$ 3,414,862	\$ —	\$(3,414,862)

**Background—Construction of Additional Shelter Space**

During fieldwork, we discovered that during FY 2006-07 the county lost its lease for its animal shelter located at 2301 Cool Water Creek in Placerville and, therefore, needed a new shelter. The West Slope shelter currently in use at 511 Placerville Drive is designated as a “temporary” shelter. The county incurred gross construction costs of \$1,663,854 for construction of this new facility.

We also noted that the county incurred construction costs totaling \$1,751,008 for the South Lake Tahoe animal shelter. We discovered that construction of the South Lake Tahoe shelter was pursuant to a determination made by the El Dorado County Grand Jury that the existing shelter was inoperable and an unsafe place in which to conduct business. After the county purchased land in FY 2006-07, animal shelter staff conducted business out of a mobile unit on site until the existing shelter building was brought up to par.

The county’s claims included its calculations for this cost component. We noted that the formula presented in the parameters and guidelines was not used correctly. As a result, the county calculated its reimbursable portion to be 124.24% of total construction costs incurred for FY 2005-06, but ultimately claimed 100% of costs incurred. For FY 2007-08 and FY 2008-09, the county calculated its reimbursable portion to be 100% of total construction costs incurred. However, reimbursable costs for the construction of new facilities are based on a pro-rata percentage of animals that die during the increased holding period plus those that were euthanized after the required holding period divided by the total population of animals housed at the facility.

In order for costs to be reimbursable, the parameters and guidelines require documentation reflecting a determination made by the County Board of Supervisors that new shelter space was required in order to comply with Chapter 752, Statutes of 1998. Documentation requirements may be satisfied in whole or in part by staff agenda items, staff reports,

minutes of governing board meetings, transcripts of governing board meetings, certification by the governing board describing the findings and determination, and/or a resolution adopted by the governing board.

We advised county representatives that costs are not reimbursable under the mandated program because the county lost its lease at an existing location and incurred costs for the construction of a new facility or needed to restore its facilities as directed by the County Grand Jury. County representatives have been unable to provide any documentation showing that shelter construction costs were incurred by the county in order to comply with the state mandated program.

Even if the documentation requirements are met, only a pro-rata percentage of costs incurred are reimbursable, based on a formula contained in the parameters and guidelines, as adopted on January 26, 2006. The formula presented in the parameters and guidelines requires animal census data for animals impounded in the county's animal shelter during 1998. We noted that the county does not have any animal census data for 1998.

The program's parameters and guidelines (Section IV.B.1–Acquisition of Additional Space and/or Construction of New Facilities) identify the following reimbursable activities:

Beginning January 1, 1999, for acquiring additional space by purchase or lease and/or construction of new facilities to provide appropriate or adequate shelter necessary to comply with the mandated activities during the increased holding period for impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, chapter 752 that die during the increased holding period or are ultimately euthanized.

Eligible claimants are entitled to reimbursement for the proportionate share of actual costs required to plan, design, acquire, and/or build facilities in a given fiscal year based on the pro rata representation of impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 that are held during the increased holding period specified in Sections IV (B) (3) and (4) of these parameters and guidelines and die during the increased holding period or are ultimately euthanized, to the total population of animals housed in the facility. The population of animals housed in the facilities includes those animals that are excluded from reimbursement, as specified in Sections IV (B)(3) and (4) of these parameters and guidelines during the entire holding period required by Food and Agriculture Code sections 31108, 31752, and 31753.

#### Supporting Documentation Submitted with the Initial and Subsequent Reimbursement Claims

Acquiring additional space and/or construction of new facilities is reimbursable only to the extent that an eligible claimant submits, with the initial and/or subsequent reimbursement claim, documentation reflecting the following:

A determination by the governing board that acquiring additional space and/or constructing new facilities is necessary for the increased holding period required by Statutes of 1998, Chapter 752

because the existing facilities do not reasonably accommodate impounded stray or abandoned dogs, cats, and other specified animals that are ultimately euthanized. The determination by the governing board shall include all of the following findings:

- The average daily census of impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 that were impounded in 1998. For purposes of claiming reimbursement under section IV.B.1, average Daily Census is defined as the average number of impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 housed on any given day, in a 365-day period;
- The average daily census of impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 that were impounded in a given year under the holding periods required by Food and Agriculture Code sections 31108, 31752, and 31753, as added or amended by Statutes of 1998, Chapter 752;
- Existing facilities are not appropriately configured and/or equipped to comply with the increased holding period required by Statutes of 1998, Chapter 752;
- Remodeling existing facilities is not feasible or is more expensive than acquiring additional space and/or constructing new facilities to comply with the increased holding period required by Statutes 1998, chapter 752; and
- Contracting with existing private or public shelters in the area to house the increase of impounded stray or abandoned dogs, cats, or other animals specified in Statutes 1998, chapter 752 is not feasible or is more expensive than acquiring additional space and/or contracting new facilities to comply with the increased holding period required by Statutes 1998, chapter 752. This finding should include the cost to contract with existing shelters.

Documentation requirement may be satisfied in whole or in part by staff agenda items, staff reports, minutes of governing board meetings, transcripts of governing board meetings, certification by the governing board describing the finding and determination and/or a resolution adopted by the governing board pursuant to Food and Agriculture Code section 31755, as added by Statutes of 1999, Chapter 81 (Assembly Bill 1482).

### Recommendation

We recommend that the county establish and implement procedures to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

### County's Response

Unallowable costs for acquisition of additional space and/or construction of new facilities – total questioned costs \$3,414,862.

Do not concur: The construction of the new Animal Control shelters was necessary to allow the County to meet the requirements of the program. More specifically, the costs the County incurred to move the

Placerville animal shelter and construct the South Lake Tahoe animal shelter were necessary to “reasonably accommodate impounded stray or abandoned dogs, cats and other specified animals that are ultimately euthanized.” Further, while the 1998 census data detail has since been lost or destroyed, this census total was provided in the initial and subsequent claims. Thus, we ask that the State consider applying the pro-rata ratio calculation to these costs, disallowing only those costs that exceed the state mandate’s pro-rata share.

#### SCO’s Comment

The finding and recommendation remain unchanged. The county’s response includes comments about the construction costs incurred and the animal census data for FY 1998-99. Our comments will address these issues in the order that they were presented by the county.

#### **Construction costs incurred**

The county states that “The construction of the new Animal Control shelters was necessary to allow the County to meet the requirements of the program. More specifically, the costs the County incurred to move the Placerville animal shelter and construct the South Lake Tahoe animal shelter were necessary to reasonably accommodate impounded stray or abandoned dogs, cats and other specified animals that are ultimately euthanized.”

We do not dispute that the county needed an animal shelter to accommodate stray and abandoned animals. However, the county did not distinguish between a county cost and the “increased cost” as a result of the state-mandated program. During our audit, the county was unable to provide any evidence that the Placerville and South Lake Tahoe shelters were constructed because the animal population increased due to the requirements of the state-mandated program.

The county claimed construction costs in FY 2006-07 through FY 2008-09 to build new animal shelters based on the increased holding period requirements of the Hayden Bill that was adopted in 1998. There is no direct correlation. In addition, the county’s claims did not include the supporting documentation required by the parameters and guidelines. We worked closely with county representatives during the course of the audit in an effort to obtain the necessary supporting documentation. The county provided an extensive amount of documents consisting entirely of Board of Supervisor meeting minutes related to construction of the new animal shelters. We reviewed the information contained in the board minutes and determined that it supported that the analysis of costs for the new construction was consistent with that of any other capital project undertaken by the county. However, there was no information in the meeting minutes we reviewed that animal shelter construction was necessary to comply with the mandated activities.

We did not question whether the costs for construction were incurred or included a cost analysis and approvals to proceed by the Board of Supervisors. We requested that the county provide documentation supporting that the Board of Supervisors concluded that constructing

animal shelters was required as the result of the holding period requirements of the state-mandated program. However, county representatives confirmed our conclusion that this determination cannot be found in the Board of Supervisor's meeting minutes.

We continue to maintain that these costs were not incurred in order to comply with the state-mandated program. Costs were incurred because the South Lake Tahoe shelter was deemed inoperable and the Placerville shelter lost its lease, as detailed in the audit report. Therefore, these costs would have been incurred by the county regardless of the state-mandated program and there were no increased costs eligible for reimbursement.

### **Animal census data**

In its response, the county claims that "while the 1998 census data detail has since been lost or destroyed, this census total was provided in the initial and subsequent claims." However, the data itself is not a major determining factor in whether costs are eligible for reimbursement. In addition, the 1998 census data provided by the county was inconsistent. In its claim for FY 2006-07, the 1998 census data submitted with the claim shows an average daily census of 32.7 animals. For FY 2007-08, the 1998 census data shows an average daily census of 16 animals. We were unable to determine what 1998 census data was used in the county's claim for FY 2008-09.

We obtained animal census data for FY 2003-04 and FY 2004-05 as well as FY 2006-07 through FY 2008-09. Had the construction costs incurred been eligible for reimbursement, we could have used the average animal census data from these five years as a substitute for the "destroyed or lost" 1998 census data.

### **Claimed costs**

The methodology used in the county's claims for construction costs was improper. As noted in the audit report, the county did not use the formula outlined in the parameters and claimed 100% of its construction costs incurred. While county representatives were working to obtain the required supporting documentation, we also worked with the county to calculate the pro-rata share of any subsequent allowable costs. Our calculations were based on the average animal census data described above and un-audited figures used for the shelter square footage in 1998 and in the claim year. This information was necessary for the formula presented in the amended parameters and guidelines to determine allowable construction costs in claims filed for FY 2005-06 and beyond. We determined that \$8,088 (1.19% of gross construction costs) for FY 2006-07, \$162,850 (6.58% of gross construction costs) for FY 2007-08, and \$52,606 (20.21% of gross construction costs) for FY 2008-09 could have been eligible for reimbursement had the costs been incurred as increased costs under the mandated program.

**FINDING 4—  
Unallowable costs for  
remodeling/renovating  
existing facilities**

The county claimed \$119,192 during the audit period under this cost component. All claimed costs are unallowable because the county did not incur the costs in order to comply with the state mandated program.

The following table summarizes the claimed and unallowable costs by fiscal year:

<u>Category</u> <u>Fiscal Year</u>	<u>Amount</u> <u>Claimed</u>	<u>Amount</u> <u>Allowable</u>	<u>Audit</u> <u>Adjustment</u>
Contract services:			
2002-03	\$ 1,326	\$ —	\$ (1,326)
2006-07	117,866	—	(117,866)
Total	<u>\$ 119,192</u>	<u>\$ —</u>	<u>\$ (119,192)</u>

**Background—Remodeling of Existing Facilities**

For FY 2002-03, the county claimed costs totaling \$1,326 (22.18% of \$5,960) to purchase a storage building, perform fence work, and install air conditioning at its Placerville animal shelter located at 2301 Cool Water Creek.

For FY 2006-07, the county incurred costs totaling \$117,866 to remodel its South Lake Tahoe animal shelter after a determination was made by the El Dorado County Grand Jury that the existing shelter was inoperable and an unsafe place in which to conduct business.

The county's claims included its calculations for this cost component. However, the formula presented in the parameters and guidelines was not used correctly. As a result, the county calculated its reimbursable portion to be 100% of total remodeling costs incurred for FY 2006-07. However, reimbursable costs for the remodeling of existing facilities are based on a pro-rata percentage of animals that die during the increased holding period plus those that were euthanized after the required holding period divided by the total population of animals housed at the facility.

In order for costs to be reimbursable, the parameters and guidelines require documentation reflecting a determination made by the County Board of Supervisors that remodeling and/or renovating existing facilities was required in order to comply with Chapter 752, Statutes of 1998. Documentation requirements may be satisfied in whole or in part by staff agenda items, staff reports, minutes of governing board meetings, transcripts of governing board meetings, certification by the governing board describing the findings and determination, and/or a resolution adopted by the governing board.

We advised county representatives that costs are not reimbursable because the county incurred remodeling costs pursuant to a determination made by the El Dorado County Grand Jury that the existing shelter was inoperable and an unsafe place in which to conduct business. County representatives have been unable to provide any documentation supporting that remodeling/renovation costs were incurred by the county in order to comply with the state mandated program.

Even if the documentation requirements are met, only a pro-rata percentage of costs incurred are reimbursable, based on a formula contained in the parameters and guidelines, as adopted on January 26, 2006. The formula presented in the parameters and guidelines requires animal census data for animals impounded in the county's animal shelter in 1998. We noted that the county does not have any animal census data for 1998.

The program's parameters and guidelines (Section IV.B.2–Remodeling/Renovating Existing Facilities) identify the following reimbursable activities:

Beginning January 1, 1999, for remodeling/renovating existing facilities to provide appropriate or adequate shelter necessary to comply with the mandated activities during the increase holding period for impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 that die during the increase holding period or are ultimately euthanized.

Eligible claimants are entitled to reimbursement for the proportionate share of actual costs required to plan, design, remodel, and/or renovate existing facilities in a given fiscal year based on the pro rata representation of impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 that are held during the increased holding period specified in Sections IV (B) (3) and (4) of these parameters and guidelines and die during the increased holding period or are ultimately euthanized, to the total population of animals housed in the facility. The population of animals housed in the facilities includes those animals that are excluded from reimbursement, as specified in Sections IV (B)(3) and (4) of these parameters and guidelines during the entire holding period required by Food and Agriculture Code sections 31108, 31752, and 31753.

#### Supporting Documentation Submitted with the Initial and Subsequent Reimbursement Claims

Remodeling/renovating existing facilities is reimbursable only to the extent that an eligible claimant submits, with the initial and/or subsequent reimbursement claim, documentation reflecting the following:

A determination by the governing board that remodeling/renovating existing facilities is necessary because the existing facilities do not reasonably accommodate impounded stray or abandoned dogs, cats, and other specified animals that are ultimately euthanized for the increased holding period required by Statutes of 1998, Chapter 752. The determination by the governing board shall include all of the following findings:

- The average daily census of impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 that were impounded in 1998. For purposes of claiming reimbursement under section IV.B.2, average Daily Census is defined as the average number of impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 housed on any given day, in a 365-day period;



- The average daily census of impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 that were impounded in a given year under the holding periods required by Food and Agriculture Code sections 31108, 31752, and 31753, as added or amended by Statutes of 1998, Chapter 752;
- Existing facilities are not appropriately configured and/or equipped to comply with the increased holding period required by Statutes of 1998, chapter 752; and
- Contracting with existing private or public shelters in the area to house the increase of impounded stray or abandoned dogs, cats or other animals specified in Statutes 1998, chapter 752 is not feasible or is more expensive than remodeling/renovating existing facilities to comply with the increased holding period required by Statutes 1998, chapter 752.

Documentation requirements may be satisfied in whole or in part by staff agenda items, staff reports, minutes of governing board meetings, transcripts of governing board meeting, certification by the governing board describing the finding and determination and/or a resolution adopted by the governing board pursuant to Food and Agriculture Code section 31755, as added by Statutes of 1999, Chapter 81 (Assembly Bill 1482).

### Recommendation

We recommend that the county establish and implement procedures to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

### County's Response

Unallowable costs for remodeling/renovating existing facilities.

Do not concur – similar to above, documentation provided and examined during your review showed that the renovation of the existing facilities was necessary to “reasonably accommodate impounded stray or abandoned dogs, cats and other specified animals that are ultimately euthanized” and that the existing facilities could not. Further, while the 1998 census data detail has since been destroyed or lost, this census total was provided in the initial and subsequent claims. Thus, we ask that the State consider applying the 1998 census pro-rata ratio calculation to these costs, disallowing only those costs that exceed the state mandate’s pro-rata share.

### SCO's Comment

The finding and recommendation remain unchanged.

The issues raised by the county in its response to this finding are identical to the issues raised in its response to Finding 3 (Unallowable costs for acquisition of additional space and/or construction of new facilities).

Therefore, our comments related to the remodeling costs incurred and the animal census data are the same as our comments contained within Finding 3. We also determined that had these costs been eligible for reimbursement, the eligible pro-rata share would have been \$7,843.

**FINDING 5—  
Overstated care and  
maintenance costs**

The county claimed \$119,775 during the audit period under the Care and Maintenance cost component for animals that die during the increased holding period or are ultimately euthanized. We determined that \$30,050 is allowable and \$89,725 is unallowable. The costs are unallowable because the county overstated the costs for food and supplies, understated animal census data, overstated the cost per animal per day, comingled costs for necessary and prompt veterinary care as care and maintenance costs, and overstated the number of eligible animals.

The following table summarizes the claimed, allowable, and unallowable care and maintenance costs for the audit period separately for dogs and cats and other animals by fiscal year. Refer to Schedule 2 (Summary of Care and Maintenance Costs) for further details.

Fiscal Year	Dogs and Cats			Other Animals		
	Amount Claimed	Amount Allowable	Audit Adjustment	Amount Claimed	Amount Allowable	Audit Adjustment
2001-02	\$ 3,922	\$ 2,777	\$ (1,145)	\$ —	\$ 79	\$ 79
2002-03	4,566	3,738	(828)	—	106	106
2006-07	31,788	8,774	(23,014)	1,288	188	(1,100)
2007-08	12,969	8,313	(4,656)	44,695	265	(44,430)
2008-09	16,291	5,590	(10,701)	4,256	220	(4,036)
Total	<u>\$ 69,536</u>	<u>\$ 29,192</u>	<u>\$ (40,344)</u>	<u>\$ 50,239</u>	<u>\$ 858</u>	<u>\$ (49,381)</u>

The following table summarizes the combined claimed, allowable, and unallowable costs for the Care and Maintenance cost component for the audit period.

Combined Dogs, Cats, and Other Animals			
Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
2001-02	\$ 3,922	\$ 2,856	\$ (1,066)
2002-03	4,566	3,844	(722)
2006-07	33,076	8,962	(24,114)
2007-08	57,664	8,578	(49,086)
2008-09	20,547	5,810	(14,737)
Total	<u>\$ 119,775</u>	<u>\$ 30,050</u>	<u>\$ (89,725)</u>

The parameters and guidelines (Section IV.B.3—Care and Maintenance for Impounded Stray or Abandoned Dogs and Cats that Die During the Increased Holding Period or are Ultimately Euthanized) identify the following reimbursable activities:

Beginning July 1, 1999 for providing care and maintenance during the increased holding period for impounded stray or abandoned dogs and cats that die during the increased holding period or are ultimately euthanized The increased holding period shall be measured by calculating the difference between three days from the day of capture and four or six business days from the day after impoundment.

The parameters and guidelines (Section IV.B.4–Care and Maintenance for Impounded Stray or Abandoned Animals Specified in Food and Agriculture Code Section 31753 that Die During the Increased Holding Period or are Ultimately Euthanized) identify the following reimbursable activities:

Beginning on January 1, 1999, for providing care and maintenance for stray or abandoned animals (specified in Food and Agriculture Code Section 31753) that die during the increased holding period or are ultimately euthanized.

Eligible claimants are not entitled to reimbursement for the care and maintenance of the following population of dogs, cats, and other animals:

- Stray or abandoned dogs, cats and other animals that are irremediably suffering from a serious illness or severe injury,
- Newborn stray or abandoned dogs, cats, and other animals that need maternal care and have been impounded without their mothers,
- Stray or abandoned dogs, cats and other animals too severely injured to more or where a veterinarian is not available and it would be more humane to dispose of the animal,
- Owner relinquished dogs, cats and other animals, and
- Stray or abandoned dogs, cats and other animals that are ultimately redeemed, adopted, or released to a nonprofit animal rescue or adoption organization.

The parameters and guidelines state that claimants may elect to use either the Actual Cost Method or the Time Study Method to claim costs for the care and maintenance of impounded stray or abandoned dogs, cats, and other animals that die during the increased holding period or are ultimately euthanized. The county elected to use the actual cost method to claim these costs.

The parameters and guidelines specify the following steps for claiming costs using the Actual Cost Method:

Actual Cost Method – Under the actual cost method, actual reimbursable care and maintenance costs per animal per day are computed for an annual claim period, as follows:

- a) Determine the total annual cost of care and maintenance for all dogs, cats and other animals impounded at a facility. Total cost of care and maintenance includes labor, materials, supplies, indirect costs, and contract services.
- b) Determine the average daily census of all dogs, cats and other animals. For purposes of claiming reimbursement under IV.B.3, average daily census is defined as the average number of all dogs and cats at a facility housed on any given day, in 365-day period and the average number of all other animals at a facility housed on any given day in a 365-day period.
- c) Multiply the average daily census of dogs, cats and other animals by 365 to calculate the yearly census of dogs and cats and the yearly census of other animals.

- d) Divide the total annual cost of care by the yearly census of dogs and cats to calculate the cost per dog and cat per day and by the yearly census of other animals to calculate the cost per other animal per day.
- e) Multiply the cost per animal per day by the number of impounded stay or abandoned dogs, cats, and other animals that die during the increase holding period, or are ultimately euthanized, by each reimbursable day. The reimbursable days for cats and dogs is the difference between three days from the day of capture, and four or six business days from the day after impoundment. The reimbursable days for other animals are four or six business days from the day after impoundment.

Reimbursable days for dogs and cats is the difference between three days from the day of capture, and four or six business days from the day after impoundment. The reimbursable days for other animals are four or six business days from the day after impoundment.

### **Care and Maintenance Formula**

The county elected to use the Actual Cost Method to claim costs; the parameters and guidelines provide for a formula-driven methodology to determine allowable mandated costs for the care and maintenance of dogs and cats and other animals. The use of this method requires claimants to calculate the total amount of eligible costs incurred to provide care and maintenance for the animals housed in its shelter. This total is divided by the annual census of animals housed in the shelter to determine a cost per animal per day.

The next element of the formula is adding the number of stray and abandoned animals that died of natural causes during the holding period plus those animals that were euthanized after the required holding period. This total number of animals is then multiplied by the cost per animal per day. The resulting amount represents allowable costs for providing care and maintenance. Our calculations took into consideration that the required holding period does not include Saturday as a business day. This is consistent with an Appellate Court decision dated March 26, 2010.

The mandate reimburses claimants for costs associated with animals that were not relinquished, redeemed, adopted, or released to a nonprofit agency—animals for which the local agency was unable to assess fees to recover such costs.

Costs incurred by the county for care and maintenance consisted of salaries and benefits, materials and supplies, and related indirect costs. We made adjustments to the costs incurred by the county and to the animal data that was used to claim costs. As a result, we adjusted the costs per animal per day.

The table in Schedule 2 summarizes the changes made to claimed costs for animal care and maintenance. This consisted of changes to total annual costs incurred by the county for animal care and maintenance (salaries and benefits, materials and supplies, and indirect costs) and

animal census data used to determine the cost per animal per day. The table also shows changes to the number of eligible animals and the number of reimbursable days that were used to determine reimbursable costs for each year of the audit period.

*Labor—Actual Salaries, Benefits, and Related Indirect Costs*

For all years of the audit period, the county claimed 100% of salary and benefit costs incurred for various employee classifications under this cost component. However, we determined that it is not reasonable to claim 100% of employee salaries, as costs for these employees would also be included in other cost components of the county's claims. In order to allocate the amount of time spent by various employee classifications on care and maintenance activities, we relied on discussion with shelter management, personal observation during audit fieldwork, and the results of the various time studies that were conducted during the audit process.

For Kennel Attendants, we determined that 95% of their time is spent on the activity of care and maintenance of animals.

For Public Service Assistants, we determined that their main duty is to work at the front desk to assist the public and perform various clerical tasks. The Public Service Assistants are not responsible for the care and maintenance of the animals. Therefore, costs for this employee classification are ineligible under the Care and Maintenance cost component.

Animal Control Officers, in general, are not reimbursable under this cost component because their main duty is to provide animal control services in the field, not care and maintenance of animals in the shelter. However, the only Kennel Attendant in South Lake Tahoe is usually off on Sundays and Mondays. On those two days, one of the two Animal Control Officers (ACO) on duty is responsible for the care and maintenance of animals. The two officers rotate between care and maintenance activities and field services. We averaged the two ACOs' salaries and determined allowable costs by allowing one ACO position for two days per week. Accordingly, we determined that 28.57% of one ACO position is spent on care and maintenance activities. However, to be consistent with the percentage allowed for the Kennel Attendants, we then multiplied the calculated ACO salary by 95%. We also noted that the Animal Control Officers in South Lake Tahoe also fill in for the one Public Service Assistant on staff during their off-duty time.

The Placerville shelter has one Kennel Attendant Supervisor. Her main duty is to perform supervisory duties, not care and maintenance. However, based on auditor observation, she does assist the full-time Kennel Attendants in caring for, feeding, and maintaining the animals before the shelter opens to the public at 9:30 a.m. We determined that allowable time spent on care and maintenance activities consists of 1.5 hours per day, which represents 18.75% of her time. We noted that the South Lake Tahoe shelter does not have a Kennel Attendant Supervisor.

This same allocation was applied to all years of the audit period except FY 2001-02. In that year, the Kennel Attendant Supervisor did not have any Kennel Attendants on staff and took care of all of the animals. Therefore, she spent 95% of her time on care and maintenance activities during that fiscal year.

Once we determined the employee classifications involved in the care and maintenance of animals and the extent of their involvement, we calculated allowable costs for labor, which includes the applicable percentages of actual salaries and benefits paid plus related indirect costs.

### *Materials and Supplies*

The county included materials and supplies expenses in its actual cost formulas from two expenditure accounts (account 4300–Professional & Specialized Service and account 4500–Special Department Expense) for food and supply costs incurred. The county provided reports detailing the expenditures recorded in these two accounts.

We worked in conjunction with animal shelter management, who advised that costs recorded in account 4300 were not for care and maintenance activities. Instead, account 4300 contains veterinary services costs totaling \$238,422 (\$75,157 for FY 2006-07, \$86,903 for FY 2007-08, and \$76,362 for FY 2008-09) which were included in the care and maintenance formulas within the county's claims. These costs are not related to the Care and Maintenance cost component and are analyzed under the Necessary and Prompt Veterinary Care cost component.

Costs recorded in account 4500 primarily included animal supplies, food, and other necessities for the shelters. However, some costs in this account were not eligible for reimbursement (such as euthanasia medication, microchip expenses, and medical supplies). Shelter management reviewed the detailed expenses recorded in account 4500 and determined that \$49,405 was related to the care and maintenance of animals. These are the costs that we used for materials and supplies in the actual cost formulas, as detailed in Schedule 2.

The following table summarizes the claimed and allowable costs used in the care and maintenance actual cost formulas for materials and supplies:

<u>Category</u> <u>Fiscal Year</u>	<u>Amount</u> <u>Claimed</u>	<u>Amount</u> <u>Allowable</u>	<u>Audit</u> <u>Adjustment</u>
Materials and supplies:			
2001-02	\$ 9,172	\$ 8,579	\$ (593)
2002-03	22,445	11,818	(10,627)
2006-07	97,371	8,491	(88,880)
2007-08	108,240	8,504	(99,736)
2008-09	108,870	12,013	(96,857)
Total	<u>\$ 346,098</u>	<u>\$ 49,405</u>	<u>\$ (296,693)</u>

### **Animal Census Data**

The yearly census refers to the total number of days that all animals were housed in the shelter. The actual cost formula provides the total eligible annual costs of care be divided by the yearly census to arrive at an average cost per animal per day. The cost per animal per day is multiplied by the number of eligible animals and then by the number of increased days.

We determined the number of eligible animals to apply to the actual cost formula for all years of the audit period by using the animal census data obtained from the county's Chameleon software system. We consistently applied the exclusions per the parameters and guidelines to the raw animal data provided by the animal shelter.

We applied costs per animal per day to the number of eligible dogs and cats impounded at the county's shelters for the two additional days required by the mandated program. We also applied costs per animal per day to the number of eligible "other animals" for all five days of the required holding period.

### **Increased Holding Period**

A recent Appellate Court ruling in the case of *Purifoy v. Howell* determined that Saturday is not considered a business day for the purposes of this mandated program. Therefore, we determined that the increased holding period for dogs and cats changed from two days to three days and the increased holding period for other animals increased from five days to six days.

### **Recommendation**

We recommend that the county establish and implement procedures to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

### **County's Response**

Overstated care and maintenance costs – the County concurs with the finding and recommendation.

**FINDING 6—  
Understated holding  
period costs**

The county claimed \$130,208 for the Holding Period cost component during the audit period. We determined that \$151,444 is allowable. Costs were understated because the county understated reimbursable hours necessary to make animals available for owner redemption.

The following table summarizes the claimed, allowable, and unallowable holding period costs separately for salaries and benefits and related indirect costs for the audit period by fiscal year:

Fiscal Year	Salaries and Benefits			Indirect Costs		
	Amount Claimed	Amount Allowable	Audit Adjustment	Amount Claimed	Amount Allowable	Audit Adjustment
2001-02	\$ 12,234	\$ 14,486	\$ 2,252	\$ 5,334	\$ 6,315	\$ 981
2002-03	34,510	15,899	(18,611)	9,904	4,564	(5,340)
2006-07	12,719	21,695	8,976	4,681	7,227	2,546
2007-08	15,498	25,186	9,688	10,180	16,545	6,365
2008-09	17,356	27,280	9,924	7,792	12,247	4,455
Total	<u>\$ 92,317</u>	<u>\$ 104,546</u>	<u>\$ 12,229</u>	<u>\$ 37,891</u>	<u>\$ 46,898</u>	<u>\$ 9,007</u>

The following table summarizes total claimed, allowable, and unallowable costs for the Holding Period cost component by fiscal year:

<u>Category</u> <u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries, benefits, and indirect costs:			
2001-02	\$ 17,568	\$ 20,801	\$ 3,233
2002-03	44,414	20,463	(23,951)
2006-07	17,400	28,922	11,522
2007-08	25,678	41,731	16,053
2008-09	25,148	39,527	14,379
Total	<u>\$ 130,208</u>	<u>\$ 151,444</u>	<u>\$ 21,236</u>

The parameters and guidelines (section IV.B.5—Agencies Using the Holding Period of Four Business Days after the Day of Impoundment) identify the following reimbursable activities:

Beginning July 1, 1999 for impounded dogs and cats and beginning January 1, 1999, for the impounded animals specified in Food and Agriculture Code section 31753 (“other animals”), for either:

1. Making the animal available for owner redemption on one weekday evening until at least 7:00 p.m., or one weekend day; or
2. For those local agencies with fewer than three full time employees or that are not open during all regular weekday business hours, establishing a procedure to enable owner to reclaim their animals by appointment at a mutually agreeable time when the agency would otherwise be closed.



## Hours of Operation

The county's Notice of Impoundment (NOI) shows the hours of operation for the county's animal shelter. The NOI is posted to disclose where and when owners can pick up their impounded animal. The shelter's hours of operation are essential in determining the allowable hours to comply with the Holding Period cost component.

The county's animal shelters were open on each Saturday of the audit period. During some years, the shelter was open one additional hour on Wednesdays to comply with the mandate. For FY 2001-02, FY 2006-07, FY 2007-08, and FY 2008-09, the county claimed costs based on the shelter being open 2.5 additional hours on Wednesdays. For FY 2002-03, the county claimed 5.5 hours for **all** employees that were on duty on Saturdays. However, we determined allowable costs using the longer day of 5.5 or 6 hours on Saturdays only for the additional employees on duty required to comply with this cost component.

We determined that it is not reasonable to calculate reimbursable costs under this cost component for **all** employees on duty at the county's shelter on Saturdays because these costs are already reimbursable under the Care and Maintenance, Non-Medical Records, Feral Cats, Lost-and-Found Lists, and Necessary and Prompt Veterinary Care cost components.

The following graph illustrates the Saturday operating schedules for the Placerville and South Lake Tahoe animal shelters during the audit period:

Shelter Hours of Operation				
FY 2001-02	FY 2002-03	FY 2006-07	FY 2007-08	FY 2008-09
Saturday	Saturday	Saturday	Saturday	Saturday
9:30 a.m.-Noon	9:30 a.m.-Noon	9:30 a.m.-Noon	9:30 a.m.-Noon	9:30 a.m.-Noon
1:30-4:30 p.m.	1:30-4:30 p.m.	1:30-4:30 p.m.	1:00-4:30 p.m.	1:00-4:30 p.m.
5.5 hours	5.5 hours	5.5 hours	6 hours	6 hours

## Staffing Requirements

We determined, based on information obtained from shelter management and observation during audit fieldwork, that when the shelter is open on Saturdays, one Public Service Assistant at the Placerville shelter, one Public Service Assistant at the South Lake Tahoe shelter, and one Kennel Attendant at the Placerville shelter were the additional employee classifications on duty to make animals available for owner redemption. On Sundays, when the shelters are closed, at least two Kennel Attendants are on duty at the Placerville shelter and one is on duty at the South Lake Tahoe shelter.

The following table illustrates the claimed and the allowable employee classifications determined to be the “increased” positions necessary to make the animals available for owner redemption. In addition, the table summarizes the total hours claimed and the allowable hours:

Summary of Positions and Hours Claimed and Allowable						
Position/Hours	Fiscal Year					Totals
	2001-02	2002-03	2006-07	2007-08	2008-09	
Claimed positions:						
Public Service Asst.	—	2	—	—	—	
Kennel Attendant	—	2	2	2	1	
Kennel Supervisor	—	—	—	2	1	
Animal Control Officer (ACO)	2	2	2	—	2	
Senior ACO	1	—	—	—	—	
Supervision ACO	1	—	—	—	—	
Claimed hours	520	1,650	520	520	520	<u>3,730</u>
Allowable positions:						
Public Service Asst.	1		2	2	2	
Kennel Attendant	2		1	1	1	
Allowable hours	858	858	858	936	936	4,446

### Recommendation

We recommend that the county establish and implement procedures to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

### County’s Response

Understated holding period costs – the County concurs with the finding and recommendation.

**FINDING 7—  
Overstated feral cat  
costs**

The county claimed \$138,681 during the audit period under this cost component. We determined that \$2,518 is allowable. Costs were originally unallowable as claimed because they were estimated and unsupported. However, the county conducted a time study during the course of the audit to support allowable costs.

The following table summarizes the claimed, allowable, and unallowable costs separately for salaries and benefits and related indirect costs for the audit period by fiscal year:

Fiscal Year	Salaries and Benefits			Indirect Costs		
	Amount Claimed	Amount Allowable	Audit Adjustment	Amount Claimed	Amount Allowable	Audit Adjustment
2001-02	\$ 6,364	\$ 241	\$ (6,123)	\$ 2,775	\$ 105	\$ (2,670)
2002-03	5,548	303	(5,245)	1,592	87	(1,505)
2006-07	32,274	289	(31,985)	10,479	103	(10,376)
2007-08	46,404	428	(45,976)	30,482	281	(30,201)
2008-09	1,942	470	(1,472)	821	211	(610)
Total	\$ 92,532	\$ 1,731	\$ (90,801)	\$ 46,149	\$ 787	\$ (45,362)

The following table summarizes total claimed, allowable, and unallowable costs for the Feral Cats cost component by fiscal year:

<u>Category</u>	Amount Claimed	Amount Allowable	Audit Adjustment
<u>Fiscal Year</u>			
Salaries, benefits, and indirect costs:			
2001-02	\$ 9,139	\$ 346	\$ (8,793)
2002-03	7,140	390	(6,750)
2006-07	42,753	392	(42,361)
2007-08	76,886	709	(76,177)
2008-09	2,763	681	(2,082)
Total	\$ 138,681	\$ 2,518	\$ (136,163)

**Time Study**

The county conducted a time study during the course of the audit to support the time it takes shelter staff to verify whether a cat is feral or tame. The county documented the time it took Kennel Attendants to conduct the feral cat test. The county employees used stop watches to capture the average time it took to conduct a feral cat assessment. As a result, the time study determined that the employees spent an average of 35.67 seconds (0.59 minutes) per cat to determine if the cat was feral or tame. We rounded the time study results to the nearest whole number and used 60 seconds (1 minute) to determine the allowable costs for the Feral Cat cost component. We applied these time study results to the entire audit period.

The county's Chameleon raw data provided the maximum eligible number of cats which may have had a feral cat test. We then interviewed shelter management to determine which cats might have received a feral cat test.

The following table summarizes the number of feral cat tests claimed, the estimated time per feral cat test claimed, and the total claimed hours. In addition, the table summarizes the maximum number of cats that may have received a feral cat test, the minutes allowable based on the time study, and the allowable hours to perform feral cat tests.

	Fiscal Year					Totals
	2001-02	2002-03	2006-07	2007-08	2008-09	
Claimed:						
Number of feral cats	348	279	1,207	1,801	1,955	5,590
Minutes per test	45	45	45	45	1.59	
Total hours claimed	261	209	905	1,351	52	2,778
Allowable:						
Number of feral cats	947 *	947 *	731	1,013	1,098	4,736
Minutes per test	1 *	1 *	1	1	1	
Total hours allowable	16	16	12	17	18	79

\* Average of three years

The program's parameters and guidelines (section IV.B.6–Feral Cats) identify the following reimbursable activities:

Beginning January 1, 1999, for verifying whether a cat is feral or tame by using a standardized protocol within the first three days of the required holding period, if an apparently feral cat has not been reclaimed by its owner or caretaker.

### Recommendation

We recommend that the county establish and implement procedures to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

### County's Response

Overstated feral cat costs – the County concurs with the finding and recommendation.

**FINDING 8—  
Unallowable lost-and-found list costs**

The county claimed \$105,738 during the audit period under the Lost-and-Found List cost component. We determined that \$20,840 is allowable and \$84,898 is unallowable. All costs claimed were originally unallowable because they were estimated and unsupported. However, the county conducted a time study during the course of the audit to support allowable costs.

The following table summarizes the claimed, allowable, and unallowable costs separately for salaries and benefits and related indirect costs for the audit period by fiscal year:

Fiscal Year	Salaries and Benefits			Indirect Costs		
	Amount Claimed	Amount Allowable	Audit Adjustment	Amount Claimed	Amount Allowable	Audit Adjustment
2001-02	\$ 11,951	\$ 2,123	\$ (9,828)	\$ 5,210	\$ 926	\$ (4,284)
2002-03	18,941	2,392	(16,549)	5,436	686	(4,750)
2006-07	15,792	3,179	(12,613)	5,818	1,058	(4,760)
2007-08	15,293	3,317	(11,976)	10,046	2,179	(7,867)
2008-09	11,933	3,437	(8,496)	5,318	1,543	(3,775)
Total	<u>\$ 73,910</u>	<u>\$ 14,448</u>	<u>\$ (59,462)</u>	<u>\$ 31,828</u>	<u>\$ 6,392</u>	<u>\$ (25,436)</u>

The following table summarizes total claimed, allowable, and unallowable costs for the Lost-and-Found Lists cost component by fiscal year:

Category	Amount Claimed	Amount Allowable	Audit Adjustment
Fiscal Year			
Salaries, benefits, and indirect costs:			
2001-02	\$ 17,161	\$ 3,049	\$ (14,112)
2002-03	24,377	3,078	(21,299)
2006-07	21,610	4,237	(17,373)
2007-08	25,339	5,496	(19,843)
2008-09	17,251	4,980	(12,271)
Total	<u>\$ 105,738</u>	<u>\$ 20,840</u>	<u>\$ (84,898)</u>

**Time Study**

All costs claimed were initially unallowable because the county claimed estimated costs for this cost component. During the audit period, the county conducted a time study to determine the time required to comply with the mandated activities. The time study results are based on time captured during a typical four-week period.

The time study determined that shelter employees spent a total of 115 hours a year to comply with all five requirements of the Lost-and-Found Lists cost component, as noted in the table below. These hours were applied to one employee per classification per year to determine allowable costs.

Public Service Assistant	30
Kennel Attendants	62
Kennel Attendant Supervisor	16
Supervising Animal Services Officer	7
Total allowable hours per year	<u>115</u>

The following table summarizes the claimed and allowable hours based on the results of the time study:

	Number of Hours					Totals
	Fiscal Year					
	2001-02	2002-03	2006-07	2007-08	2008-09	
Claimed	624	827	632	576	468	3,127
Allowable	115	115	115	115	115	575
Audit adjustment	(509)	(712)	(517)	(461)	(353)	(2,552)

The program's parameters and guidelines (section IV.B.7–Lost and Found Lists) identify the following reimbursable activities:

Beginning January 1, 1999, for providing owners of lost animals and those who find lost animals with all of the following:

- Ability to list the animals they have lost or found on “lost-and-found” lists maintained by the local agency;
- Referrals to animals listed that may be the animals the owner or finders have lost or found;
- The telephone numbers and addresses of other pounds and shelters in the same vicinity;
- Advice as to means of publishing and disseminating information regarding lost animals; and
- The telephone numbers and addresses of volunteer groups that may be of assistance in locating lost animals.

### Recommendation

We recommend that the county establish and implement procedures to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

### County's Response

Unallowable lost-and-found list costs – the County concurs with the finding and recommendation.

**FINDING 9—  
Overstated non-medical  
records costs**

The county claimed \$183,151 during the audit period under for the costs to maintain non-medical animal records. We determined \$71,253 is allowable. The county overstated costs by \$111,898 because costs were estimated, costs were claimed twice, and contract services costs were misclassified.

Costs for salaries, benefits, and related indirect costs for this component were originally unallowable as claimed because they were estimated and unsupported. However, the county conducted a time study during the course of the audit to support allowable costs.

In FY 2008-09, \$2,890 was claimed twice—once as materials and supplies costs and again as contract services costs. In addition, this cost was included in the indirect cost pool within the county's indirect cost rate proposal.

Contract services costs totaling \$36,755 were reclassified and allowable in this component.

The following tables summarize the claimed, allowable, and unallowable costs separately for salaries and benefits, related indirect costs, materials and supplies, and contract services for the audit period for the Non-Medical Records cost component by fiscal year:

Fiscal Year	Salaries and Benefits			Indirect Costs		
	Amount Claimed	Amount Allowable	Audit Adjustment	Amount Claimed	Amount Allowable	Audit Adjustment
2001-02	\$ 4,919	\$ 2,540	\$ (2,379)	\$ 2,145	\$ 1,017	\$ (1,128)
2002-03	13,342	4,202	(9,140)	3,829	1,207	(2,622)
2006-07	51,017	5,206	(45,811)	16,565	1,690	(14,875)
2007-08	39,335	5,946	(33,389)	25,839	3,906	(21,933)
2008-09	16,359	6,177	(10,182)	6,911	2,607	(4,304)
Total	<u>\$ 124,972</u>	<u>\$ 24,071</u>	<u>\$ (100,901)</u>	<u>\$ 55,289</u>	<u>\$ 10,427</u>	<u>\$ (44,862)</u>

Fiscal Year	Materials and Supplies		
	Amount Claimed	Amount Allowable	Audit Adjustment
2008-09	<u>\$ 2,890</u>	<u>\$ —</u>	<u>\$ (2,890)</u>

Fiscal Year	Claimed	Supported Costs	Pro-Rata Percentage	Allowable Costs	Audit Adjustment
2001-02	\$ —	\$ —	80%	\$ —	\$ —
2002-03	—	24,272	80%	19,418	19,418
2006-07	—	7,224	80%	5,779	5,779
2007-08	—	7,224	80%	5,779	5,779
2008-09	—	7,224	80%	5,779	5,779
Total	<u>\$ —</u>	<u>\$ 45,944</u>		<u>\$ 36,755</u>	<u>\$ 36,755</u>

The following table summarizes the combined claimed, allowable, and unallowable costs for the Non-Medical Records cost component for the audit period by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Combined costs:			
2001-02	\$ 7,064	\$ 3,557	\$ (3,507)
2002-03	17,171	24,827	7,656
2006-07	67,582	12,675	(54,907)
2007-08	65,174	15,631	(49,543)
2008-09	26,160	14,563	(11,597)
Total	<u>\$ 183,151</u>	<u>\$ 71,253</u>	<u>\$ (111,898)</u>

### Time Study

All costs claimed for this cost component were initially unallowable because the county claim estimated costs. The county conducted a time study for two pay periods during the course of the audit to support claimed costs. The county studied the time required to process records for incoming animals and the final disposition of animals. These activities were performed by various employees. The county's time study results showed that 1.78 minutes were spent processing incoming animal records and 1.11 minutes were spent processing records for the final disposition of animals.

### Number of Animal Records Processed

Once the time study was completed, we applied the results to the number of animal records processed. During the course of the audit, we obtained the county's raw animal data from its Chameleon database, analyzed the outcome reports containing the animal data, and performed a count for the number of animal records that appeared in each year's database. The county was unable to provide animal record statistics for FY 2001-02 and FY 2002-03. However, we realized that non-medical records were maintained for animals during these two years as well. Accordingly, we applied averages of the later three years as a substitute for the number of records processed for the two earlier fiscal years.

The following table summarizes the number of non-medical records processed during the audit period:

	<u>Number of Non-Medical Records</u>				
	<u>Fiscal Year</u>				
	<u>2001-02</u>	<u>2002-03</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Intake	4,018*	4,018*	3,751	4,272	4,032
Final disposition	4,018*	4,018*	3,751	4,272	4,032

\* Average of three years



### Materials and Supplies–Cost of Chameleon License Renewal

The same invoice for Chameleon license renewal fees was claimed twice in FY 2008-09, once as materials and supplies costs and again as contract services costs. The amount claimed as materials and supplies is unallowable and the amount claimed as contract services is allowable.

	Fiscal Year					Totals
	2001-02	2002-03	2006-07	2007-08	2008-09	
Materials and supplies:						
Claimed	\$ —	\$ —	\$ —	\$ —	\$ 2,890	\$ 2,890
Allowable	—	—	—	—	—	—
Audit adjustment	\$ —	\$ —	\$ —	\$ —	\$(2,890)	\$(2,890)

### Contract Services–Cost of Chameleon License Renewal

The county claimed costs for Chameleon system license renewal fees as contract services under the cost component of Computer Software (see Finding 2). Those costs were reclassified and the costs are analyzed in this component. The percentage claimed by the county was accepted as claimed, except for the percentage claimed for FY 2006-07.

The county claimed a pro-rata percentage of the costs for the annual license renewal for the Chameleon software system. The county determined that 60% of the system was used for mandated activities during FY 2002-03, 100% during FY 2006-07, and 40% during FY 2007-08 and FY 2008-09. We asked county representatives to make a determination as to the pro-rata percentage that the Chameleon software system was used for mandated activities. We accepted the county's pro-rata percentage proposal of 80% to determine allowable costs of annual Chameleon license fees for the audit period.

The program's parameters and guidelines (section IV.B.8–Maintaining Non-Medical Records) identify the following reimbursable activities:

Beginning January 1, 1999, for maintaining non-medical records on animals that are either taken up, euthanized after the holding period, or impounded. Such records shall include the following:

- The date the animal was taken up, euthanized, or impounded;
- The circumstances under which the animal is taken up, euthanized, or impounded;
- The names of the personnel who took up, euthanized, or impounded the animal; and
- The final disposition of the animal, including the name of the person who euthanized the animal or the name and address of the adopting party.

The parameters and guidelines (section IV.B.8–Maintaining Non-Medical Records) identify the following reimbursable activity:

The cost of Software license renewal contracts, to the extent these cost are not claimed as an indirect cost under these parameters and guidelines, is eligible for reimbursement under Section V (A) (2) of the

parameters and guidelines. If the computer software is utilized in some way that is not directly related to the maintenance of records specified in this section, only the pro rata portion of the software license renewal contract that is used for compliance with this section is reimbursable.

#### Recommendation

We recommend that the county establish and implement procedures to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported

#### County's Response

Overstated non-medical records costs – the County concurs with the finding and recommendation.

**FINDING 10—  
Understated necessary  
and prompt veterinary  
care costs**

The county claimed \$3,370 under the Necessary and Prompt Veterinary Care cost component. We determined that \$18,401 is allowable and costs were understated by \$15,031. The costs were understated because eligible costs for veterinary care were misclassified and included within the care and maintenance formulas.

The following table summarizes the claimed, allowable, and unallowable costs separately for salaries and benefits, related indirect costs, materials and supplies, and contract services for the Necessary and Prompt Veterinary Care cost component for the audit period by fiscal year:

Fiscal Year	Salaries and Benefits			Indirect Costs		
	Amount Claimed	Amount Allowable	Audit Adjustment	Amount Claimed	Amount Allowable	Audit Adjustment
2001-02	\$ 164	\$ 314	\$ 150	\$ 71	\$ 137	\$ 66
2002-03	1,824	360	(1,464)	524	103	(421)
2006-07	—	459	459	—	153	153
2007-08	—	549	549	—	360	360
2008-09	—	429	429	—	193	193
Total	<u>\$ 1,988</u>	<u>\$ 2,111</u>	<u>\$ 123</u>	<u>\$ 595</u>	<u>\$ 946</u>	<u>\$ 351</u>

Fiscal Year	Materials and Supplies			Contract Services		
	Amount Claimed	Amount Allowable	Audit Adjustment	Amount Claimed	Amount Allowable	Audit Adjustment
2001-02	\$ 787	\$ 1,084	\$ 297	\$ —	\$ 1,852	\$ 1,852
2002-03	—	1,107	1,107	—	1,852	1,852
2006-07	—	1,264	1,264	—	2,093	2,093
2007-08	—	1,260	1,260	—	1,886	1,886
2008-09	—	1,368	1,368	—	1,578	1,578
Total	<u>\$ 787</u>	<u>\$ 6,083</u>	<u>\$ 5,296</u>	<u>\$ —</u>	<u>\$ 9,261</u>	<u>\$ 9,261</u>

The following table summarizes the combined claimed, allowable, and unallowable costs for the Necessary and Prompt Veterinary Care cost component for the audit period by fiscal year:

Fiscal Year	Combined Costs		
	Amount Claimed	Amount Allowable	Audit Adjustment
2001-02	\$ 1,022	\$ 3,387	\$ 2,365
2002-03	2,348	3,422	1,074
2006-07	—	3,969	3,969
2007-08	—	4,055	4,055
2008-09	—	3,568	3,568
Total	<u>\$ 3,370</u>	<u>\$ 18,401</u>	<u>\$ 15,031</u>

**Claimed Costs**

Basically, allowable costs for necessary and prompt veterinary care consists of costs incurred for the conduct of an initial physical exam, the administration of a wellness vaccine, and certain necessary and prompt care services to eligible animals during the required holding period.

The county claimed costs for veterinary services within the care and maintenance formulas in FY 2006-07 (\$75,157), FY 2007-08 (\$86,903), and FY 2008-09 (\$76,363). We reclassified these costs from care and maintenance and analyzed them under this cost component as contract services costs.

The county claimed \$235 for FY 2001-02 and \$2,348 for FY 2002-03 for salaries, benefits, and related indirect costs to conduct initial physical assessments and for minor medical treatments conducted by Kennel Attendants to make animals “more adoptable.” These costs are unallowable primarily because they were based on estimates of time spent to perform the activities.

In addition, the county claimed \$787 in FY 2001-02 for materials and supplies—\$517 was for costs associated with heartworm tests for adopted stray dogs and \$270 for vaccines administered to adopted strays. These costs are unallowable because they were applied to animals that were ultimately adopted, which is one of the population exclusions under this cost component.

### Determination of Allowable Costs

During the course of the audit, the county performed two time studies for this cost component, segregated their veterinary care invoices to include only services provided for eligible animals, and compiled materials and supplies costs for wellness vaccines (two vaccines for dogs and one vaccine for cats).

#### *Eligible Dogs and Cats*

We determined the eligible dogs and cats who receive the initial physical examination and the wellness vaccines from the Chameleon raw data provided by the county. The following graph details the eligible dogs and cats by fiscal year:

	Fiscal Year				
	2001-02	2002-03	2006-07	2007-08	2008-09
Eligible dogs	174 *	174 *	203	146	172
Eligible cats	154 *	154 *	118	230	115
Other animals	3 *	3 *	6	3	—
Total animals	<u>331</u>	<u>331</u>	<u>327</u>	<u>379</u>	<u>287</u>

\* Average of three years

### Allowable Costs—Initial Physical Examination Time Study

The county has a Veterinarian on staff. After discussions with the Veterinarian and shelter management, we determined that it is not part of her routine to perform an initial physical examination of animals impounded at the shelter. She may perform a secondary examination if the animal seems like it may need veterinarian care. Furthermore, the Veterinarian is at the shelter only on Tuesdays and usually only performs surgeries while on duty.

The Kennel Attendant Supervisor is the only person in the shelter qualified to make a determination in regards to an animal being “adoptable,” “treatable,” or “non-rehabilitatable.” Therefore, the county studied the time it takes the Kennel Attendant Supervisor to perform an initial physical examination.

The time study was conducted for one pay period. As a result of the time study, it takes the Kennel Attendant Supervisor an average of 10.92 seconds (0.18 of a minute) to conduct an initial physical examination. Shelter management agreed that the county’s accurate method to capture time with a stopwatch warranted rounding the time study results to the nearest whole minute. Therefore, we used 60 seconds (1 minute) to determine the allowable costs for the initial physical exam.

We applied the 60 seconds per initial physical examination to eligible animals. The eligible number of animals was determined by analyzing the Chameleon raw data provided by the county. We applied the exclusions as described in the parameters and guidelines for this component.

#### *Saturday Not Considered as a Business Day*

In addition, our calculations of allowable costs take into consideration that the required holding period does not include Saturday as a business day. This is consistent with the recent Appellate Court decision dated March 26, 2010, in the case of *Purifoy v. Howell*.

### **Allowable Costs—Administration of a Wellness Vaccine**

#### *Time Study*

Although the county does have a Veterinarian on staff, administration of wellness vaccines is usually performed by the Kennel Attendant Supervisor and the Kennel Attendants. The county conducted a time study for one pay period to determine the average time that it takes to administer a wellness vaccine. While the Kennel Attendant Supervisor occasionally administers wellness vaccines, the county only included Kennel Attendants in their time study.

The time study documented that it takes Kennel Attendants an average of 2 minutes and 4 seconds (2.07 minutes) to administer a wellness vaccine. We applied the 2 minutes and 4 seconds per vaccine to eligible animals. The number of eligible animals was determined by analyzing the Chameleon raw data provided by the county. We applied the exclusions as described in the parameters and guidelines for this component.

#### *Saturday Not Considered as a Business Day*

In addition, our calculations of allowable costs take into consideration that the required holding period does not include Saturday as a business day. This is consistent with the recent Appellate Court decision dated March 26, 2010, in the case of *Purifoy v. Howell*.

*Material and Supplies—Cost of Wellness Vaccines*

The county provided support for the cost of wellness vaccines for two fiscal years. We noted that dogs are administered two wellness vaccines (Intra-Trac II and Galaxy) and cats are administered one wellness vaccine (Eclipse). The cost per vaccine for dogs and cats is applied only to the eligible number of dogs and cats, which was determined by analyzing the Chameleon raw data.

The county was unable to obtain invoices detailing wellness vaccine costs for FY 2001-02, FY 2002-03, and FY 2006-07. The county proposed and we accepted that vaccine costs for these three fiscal years be based on actual costs for FY 2007-08 as reduced by the Consumer Price Index.

The following table details the allowable cost for vaccines and the eligible number of dogs and cats treated:

	Fiscal Year					Totals
	2001-02	2002-03	2006-07	2007-08	2008-09	
Two dog vaccines	\$ 4.51	\$ 4.61	\$ 4.98	\$ 5.15	\$ 6.17	
Eligible dogs	× 174*	× 174*	× 203	× 146	× 172	
Subtotal	\$ 785	\$ 802	\$ 1,011	\$ 752	\$ 1,061	
One cat vaccine	\$ 1.94	\$ 1.98	\$ 2.14	\$ 2.21	\$ 2.67	
Eligible cats	× 154*	× 154*	× 118	× 230	× 115	
Subtotal	\$ 299	\$ 305	\$ 253	\$ 508	\$ 307	
Allowable	\$ 1,084	\$ 1,107	\$ 1,264	\$ 1,260	\$ 1,368	\$ 6,083

\* Average of three years

**Allowable Contract Services Costs—Veterinary Care Services**

The county properly segregated eligible invoices for veterinary care for FY 2006-07 through FY 2008-09. The invoices identified the animal ID and the date on which the animal was treated. Therefore, shelter staff was able to look up each invoice to determine if the service was performed during the holding period and if the animal was eligible for reimbursement. The county was not able to obtain veterinary care invoices for FY 2001-02 and FY 2002-03. As we recognized that reimbursable activities were performed during these two fiscal years, we applied the average of costs incurred for the final three years of the audit period as allowable costs for the first two years of the audit period.

*Saturday Not a Business Day*

We applied the recent court ruling that Saturday shall not be considered a business day. Therefore, if an animal was euthanized before the end of the required holding period, that animal is not eligible for reimbursement. We used an actual calendar and reviewed the information on each of the invoices to identify the reimbursable veterinary care invoices.

The following table details the eligible invoice amounts by fiscal year to provide necessary and prompt veterinary care services:

Necessary and Prompt Veterinary Care Invoices—Contract Services						
	Fiscal Year					Totals
	2001-02	2002-03	2006-07	2007-08	2008-09	
Pollock Pines			\$ —	\$ 287	\$ 87	
Crossroads Vet Hospital			330	—	197	
Mother Lode			555	135	362	
Sierra Animal Hospital			1,208	1,464	932	
Total animals	<u>\$ 1,852*</u>	<u>\$ 1,852*</u>	<u>\$ 2,093</u>	<u>\$ 1,886</u>	<u>\$ 1,578</u>	<u>\$ 9,261</u>

\* Average of three years

The parameters and guidelines (section IV.B.9—Necessary and Prompt Veterinary Care) identifies the following reimbursable activities:

Beginning January 1, 1999 for providing “necessary and prompt veterinary care” for stray and abandoned animals, other than injured cats and dogs given emergency treatment that die during the holding period or are ultimately euthanized during the holding periods specified in Statutes of 1998, Chapter 752.

Necessary and prompt veterinary care” means all reasonably necessary medical procedures performed by a veterinarian or someone under the supervision of a veterinarian to make stray or abandoned animals “adoptable.” The following veterinary procedures, if conducted, are eligible for reimbursement:

- An initial physical examination of the animal to determine the animal’s baseline health status and classification as “adoptable,” “treatable,” or “non-rehabilitatable.”
- A wellness vaccine administered to “treatable” or “adoptable” animals.
- Veterinary care to stabilize and or relieve the suffering of a “treatable” animal.
- Veterinary care intended to remedy any applicable disease, injury, or congenital or hereditary condition that adversely affects the health of a “treatable” animal or that is likely to adversely affect the animal’s health in the future, until the animal becomes “adoptable.”

#### Population Exclusions

Eligible claimants are not entitled to reimbursement for providing “necessary and prompt veterinary care” to the following population of animals:

- Animals that are irremediably suffering from a serious illness or severe injury,
- Newborn animals that need maternal care and have been impounded without their mothers,
- Animals too severely injured to move or where a veterinarian is not available and it would be more humane to dispose of the animal,
- Owner relinquished animals, and
- Stray or abandoned animals that are ultimately redeemed, adopted, or released to a nonprofit animal rescue or adoption organization.

#### Veterinary Care Exclusions

Eligible claimants are not entitled to reimbursement for providing the following veterinary procedures:

- Emergency treatment given to injured cats and dogs,
- Administration of rabies vaccination to dogs,
- Implantation of microchip identification;
- Spay or neuter surgery and treatment; and
- Euthanasia

#### Recommendation

We recommend that the county establish and implement procedures to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported

#### County's Response

Understated necessary and prompt veterinary care costs – the County concurs with the finding and recommendation.



**FINDING 11—  
Understated procuring  
equipment costs**

The county claimed \$47,059 for procuring computer equipment and kennel equipment. We determined that \$37,624 is allowable. The county overstated costs by \$9,435 because it applied inconsistent reimbursable pro rata percentages and misclassified costs.

The following table summarizes the claimed, allowable, and unallowable costs for kennel equipment claimed for FY 2007-08 and FY 2008-09:

	Fiscal Year		Totals
	2007-08	2008-09	
Claimed costs:			
Total cost to procure equipment	\$ —	\$ 6,239	
Pro rata percentage	× 0.00%	× 100.00%	
Total claimed costs	\$ —	\$ 6,239	\$ 6,239
Allowable costs:			
Total cost to procure equipment	\$ 138,862	\$ 6,239	
Total annual census (dogs, cats, and others)	÷ 45,265	÷ 50,263	
Cost per animal per day	\$ 3.07	\$ 0.12	
Cost per animal per day	\$ 3.07	\$ 0.12	
Eligible dogs and cats	× 376	× 306	
Increased days	× 3	× 3	
Allowable for dogs and cats	\$ 3,463	\$ 110	
Cost per animal per day	\$ 3.07	\$ 0.12	
Eligible other animals	× 6	× 6	
Increased days	× 6	× 6	
Allowable for other animals	\$ 111	\$ 4	
Total allowable costs	\$ 3,574	\$ 114	\$ 3,688

The following table summarizes the calculation of allowable costs for computer equipment purchases during the audit period:

	Fiscal Year			Totals
	2001-02	2006-07	2007-08	
Claimed costs:				
Computer equipment	\$ 15,953	\$ 18,484	\$ 31,911	
Pro rata percentage	× 60%	× 100%	× 40%	
Total claimed costs	9,572	18,484	12,764	\$ 40,820
Allowable costs:				
Computer equipment	10,894	18,484	13,042	
Pro rata percentage	× 80%	× 80%	× 80%	
Total allowable costs	8,715	14,787	10,434	33,936
Audit adjustment	\$ (857)	\$ (3,697)	\$ (2,330)	\$ (6,884)

For FY 2001-02, the county claimed \$9,572 (60% of \$15,954). In consultation with accountants from the Public Health Department and the Auditor-Controller's Office, we determined that \$5,060 of this amount was incurred for computer equipment that was not used in the county's animal shelter. Accordingly, we determined that \$8,715 is allowable (80% of \$10,894). We traced the \$10,894 amount to the county's expenditure report for the shelter's sub-object codes 6042 and 4462.

For FY 2006-07, the county claimed \$18,484 (100% of 18,484) for procuring computer equipment. We determined that \$14,787 is allowable (80% of \$18,484). The county mistakenly claimed 100% instead of claiming the eligible pro rata percentage. We also noted that the \$18,484 amount appeared in the indirect cost pool within the county's Indirect Cost Rate Proposal for sub-object account 4462 (Equipment-Computer). We discussed with county representatives that costs claimed as a direct cost for the mandated program should not also be included in the county's indirect costs pool. However, we determined that changes to the indirect cost rate for FY 2006-07 would be immaterial after reclassifying these costs from indirect to direct in the county's Indirect Cost Rate Proposal.

For FY 2007-08, the county claimed \$12,764 (40% of \$31,911) for procuring computer equipment. We determined that \$10,434 is allowable (80% of \$13,042). Similar to FY 2001-02, \$18,869 was incurred for computer equipment that was not used in the county's animal shelters. We also noted that the \$13,042 amount was posted to sub-object account 4461 (Equipment-Minor), which appeared in the indirect cost pool. We explained to county representatives that costs claimed as a direct cost for the mandated program should not also be included in the county's indirect costs pool. However, we determined that changes to the indirect cost rate for FY 2007-08 would be immaterial after reclassifying these costs from indirect to direct in the county's Indirect Cost Rate Proposal.

In addition, for FY 2007-08, the county provided support for animal cages purchased from T Kennel Modular Systems, Inc. in the amount of \$138,862. The animal cages are used for care and maintenance of animals; therefore, we used the care and maintenance formula to determine that \$3,574 is eligible for reimbursement. The county originally claimed these costs under the Acquisition of Additional Space and/or Construction of New Facilities cost component (see Finding 3).

For FY 2008-09, the county claimed \$6,239 for the purchase of cat cages. Once again, we used the care and maintenance formula to determine that \$114 is allowable. We also noted that this cost appeared in the indirect cost pool for index 409210, sub-object account 4461 (Equipment-Minor). We discussed with county representatives that costs claimed as a direct cost for the mandated program should not also be included in the county's indirect costs pool. However, we determined that changes to the indirect cost rate for FY 2008-09 would be immaterial after reclassifying these costs from indirect to direct in the county's Indirect Cost Rate Proposal.

The parameters and guidelines (section IV.B.10) identifies the following reimbursable activity:

Beginning January 1, 1999, for procuring medical, kennel, and computer equipment necessary to comply with the reimbursable activities listed in Section IV (B) for the parameters and guidelines, to the extent these costs are not claimed as an indirect cost under Section

V (B) of the parameters and guidelines. If the medical, kennel, and computer equipment is utilized in some way not directly related to the mandated program or the population of animals listed in Section IV (B), only the pro rata portion of the activity that is used for the purposes of the mandated program is reimbursable.

Recommendation

We recommend that the county establish and implement procedures to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

County's Response

Understated procuring and equipment costs – the County concurs with the finding and recommendation.

**FINDING 12—  
Overstated offsetting  
revenues**

The county overstated savings/reimbursements by \$3,070 for FY 2001-02. This total represents 4.69% of contract revenues received from the City of South Lake Tahoe that fiscal year. However, we are unable to determine how this amount was derived. In addition, we have determined that no offsetting revenue should have been reported on the county's claim.

The El Dorado County has contracts for animal services with the following local agencies:

- City of South Lake Tahoe
- Alpine County
- City of Placerville
- State of California Tahoe Conservancy

Only the City of South Lake Tahoe filed mandate reimbursement claims with the State under the Animal Adoption Program for FY 2001-02 through FY 2008-09 (except for FY 2003-04, when the mandated program was suspended).

**Contract with the City of South Lake Tahoe**

The county entered into an agreement with the City of South Lake Tahoe for animal control services in August 1998. The county's animal shelters provide all animal control services for the city. However, we noted that the city has filed reimbursement claims with the State under the Animal Adoption Program totaling \$74,268 for the audit period, as noted in the table below:

Fiscal Year							Totals
2001-02	2004-05	2004-05	2005-06	2006-07	2007-08	2008-09	
\$ 4,890	\$ 6,569	\$ 13,466	\$ 14,916	\$ 4,916	\$ 13,988	\$ 15,523	\$ 74,268

We requested that El Dorado County determine if any costs claimed by the City of South Lake Tahoe are for mandated activities. The county concluded that all funds received from the contract with the City of South Lake Tahoe are for the general operating expenses of the county's shelters. Therefore, we will report no offsetting revenues in the report for our audit of the county's claims.

County representatives agreed to provide this determination in writing on county letterhead. However, the county subsequently decided not to respond in writing regarding the use of contract revenues received from contracting entities. Regardless, we will reduce the Animal Adoption Program claims filed by the City of South Lake Tahoe to \$0. Accordingly, our report to the city will state that the county indicated verbally that the contract funds paid by the city were for the general operating expenses of the county's shelters, although the county did not provide this information formally in writing.

The parameters and guidelines (section VII–Offsetting Savings and Other Reimbursements) state the following:

Any offsetting savings that the claimant experiences as a direct result of this mandate must be deducted from the costs claimed. Additionally, reimbursement for this mandate received from any source shall be identified and deducted from this claim. These sources shall include, but are not limited to, rewards received under the authority of Civil Code section 1845; licensing fees and fines received and applied pursuant to Food and Agriculture Code section 30652, Government Code section 28502, and Penal Code section 597f; other state funds, and federal funds. The fees and fines received pursuant to Food and Agriculture Code section 30652 shall be deducted from the claim according to the priority specified in the statute and stated below:

- First, to pay fees for the issuance of dog license tags pursuant to Food and Agriculture Code section 30652, subdivision(a);
- Second, in accordance with Food and Agriculture Code section 30652, subdivision (b), any excess revenue held after the payment of dog license tags shall be applied to the fees, salaries, costs, expenses, or any or all of them for the enforcement of Division 14 of the Food and Agriculture code, including Food and Agriculture Code section 31108, and all ordinances that are made pursuant to division 14. Cost incurred under Food and Agriculture Code Section 31108 are specified in Section IV (B) (1), (2),(3), and (5), and Section IV (A) of these parameters and guidelines. Any or all excess revenue must be applied to the cost incurred under Food and Agriculture Code section 31108 before any revenue can be applied to subdivisions (c) and (d) of Food and Agriculture Code section 30652.

#### Recommendation

We recommend that the county determine the amount of applicable offsetting revenues that it received during the audit period. We also recommend that the county establish and implement procedures to determine whether any contract revenues received from contracting entities were used to fund mandated activities.

#### County's Response

Overstated offsetting revenues – the County concurs with the finding and recommendation.

#### SCO's Comment

The county's response does not dispute its verbal confirmation that the contract revenues received from the City of South Lake Tahoe were used for the general operating expenses of the county's animal shelter. Subsequent to the issuance of this final audit report, we will issue a letter to the Mayor of the City of South Lake Tahoe stating that city's reimbursement claims filed under the Animal Adoption Program during FY 2001-02 through FY 2008-09 were ineligible for reimbursement. Accordingly, we will be reducing these claims to \$0.

**OTHER ISSUES—**

During the course of the audit, several issues came to our attention that, while not dollar findings, should be included in our audit report. Specifically, we noted systemic issues involving costs included in the county's indirect cost pool being claimed as direct costs in its mandated cost claims (Issue 1). In addition, it appears that the county lacks a county-wide policy relating to fraud (Issue 2).

**ISSUE 1—  
Overstated indirect cost rates**

The indirect cost rates identified in the county's Indirect Cost Rate Proposals (ICRPs) for the audit period will be used to determine allowable indirect costs for the audit period.

We reconciled the county's ICRPs to the county's revenue and expenditure ledger. We noted several instances in which direct costs claimed as a result of the mandate were also found in the indirect cost pool (as noted above in Finding 11—Understated procuring equipment costs). We notified the county that costs claimed as direct costs in the county's mandate claims cannot also appear in the indirect cost pool. In addition, we noted minor differences in the calculations of indirect cost rates from year to year.

	Fiscal Year				
	2001-02	2002-03	2006-07	2007-08	2008-09
<i>Indirect cost rates applied to</i>	<i>salaries+ benefits</i>	<i>salaries+ benefits</i>	<i>salaries</i>	<i>salaries</i>	<i>salaries</i>
Related cost rates:					
Claimed rate	43.60%	28.70%	51.70%	100.70%	68.50%
Audited rate	43.60%	28.70%	49.10%	99.50%	66.63%
Possible audit adjustment	0.00%	0.00%	(2.60)%	(1.20)%	(1.87)%

We determined that adjusting the county's indirect cost rates based upon our observations of its ICRPs would not result in material differences in allowable related indirect costs. Therefore, the claimed indirect cost rates will be used to determine allowable indirect costs for the audit period.

**Recommendation**

We recommend the county ensure that indirect cost rates are properly calculated and applied to the correct cost base in its mandated cost claims.

**County's Response**

The county did not respond to the overstated indirect cost rates issue noted.

**SCO's Comment**

The recommendation remains unchanged.

**ISSUE 2—  
Fraud Prevention Policy**

This issue is not related to costs claimed by the county under the Animal Adoption Program.

Generally accepted governmental auditing standards (GAGAS) require us to inquire about the risks of fraud and how the county addresses them. We interviewed shelter management and staff and the county's Human Resources Department. We were provided with a copy of the county's Code of Ethics, an Employee Expectation Standards bullet-point list that is initialed by the employee and a supervisor and a copy of Resolution No. 228-84 from the County Board of Supervisors outlining personnel management issues. Based on our observations, the county has not implemented a county-wide program to address identified fraud risks.

It does not appear that the county has adopted a fraud prevention program. Our interaction with county staff during the audit process revealed that staff was unaware of any countywide fraud prevention program and had not been briefed on the risks of fraud and what to do if they encountered fraudulent behavior.

Our comments relate only to the apparent lack of any county-wide policy in place.

Recommendation

We recommend that the county implement and monitor programs and controls to address fraud risks in order to prevent, deter, and detect fraud.

County's Response

The county did not respond to the fraud prevention policy issue noted.

SCO's Comment

The recommendation remains unchanged.

**Attachment—  
County's Response to  
Draft Audit Report**

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## County of El Dorado

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July 8, 2011

Jim L. Spano  
Mandated Cost Audits Bureau  
State Controller's Office  
Division of Audits  
P.O. Box 942850  
Sacramento, California 94250-5874

Reference: State Controller's Office, Division of Audits, Animal Adoption Legislative  
Mandate Program – draft audit report for the fiscal years ending June 30, 2002,  
2003, 2007, 2008, and 2009.

Dear Mr. Spano:

The following are my comments and response to the findings included in your draft audit report dated June 3, 2011:

Finding 1 –

Requested correction. Fiscal years 2007-08 should be 2008-09.

Auditor-Controller's Response to Finding:

In respect to fiscal year's 2006-07 and 2008-09, we concur with finding and recommendation. Specifically, the backup provided with the claim specifically indicates that the training claimed is associated with an Animal Control Conference, which included activities not associated with training staff on reimbursable activities.

Fiscal year 2002-03. Do not concur. A listing of attendees and documentation included with the claim states that the training was to train staff on reimbursable activities.

Finding 2 –

Reclassification Computer Software Purchase from contract services to non-medical records, fiscal years 2002-03, and 2006-07 through 2008-09. Concur with reclassification.

Unsupported Salaries and Benefits – Do not concur – In fiscal year 2002-03, the County and Department of Health Services claimed costs associated with employees under the Health Department Administration division, information technology

classification. The Health Services Department asserts that detail timekeeping records were maintained in support of the hours claimed; however these records have since been destroyed. Given the delay in audit, the reasonableness of the hours claimed, and the fact that these costs are eligible for reimbursement under the program, we request that the State consider the hours claimed and salary costs currently retained with the claim backup as sufficient in support of these one time costs.

Finding 3 –

Unallowable costs for acquisition of additional space and/or construction of new facilities – total questioned costs \$3,414,862.

Do not concur: The construction of the new Animal Control shelters was necessary to allow the County to meet the requirements of the program. More specifically, the costs the County incurred to move the Placerville animal shelter and construct the South Lake Tahoe animal shelter were necessary to “reasonably accommodate impounded stray or abandoned dogs, cats and other specified animals that are ultimately euthanized”. Further, while the 1998 census data detail has since been lost or destroyed, this census total was provided in the initial and subsequent claims. Thus, we ask that the State consider applying the pro-rata ratio calculation to these costs, disallowing only those costs that exceed the state mandate’s pro-rata share.

Finding 4 –

Unallowable costs for remodeling/renovating existing facilities.

Do not concur – similar to above, documentation provided and examined during your review showed that the renovation of the existing facilities was necessary to “reasonably accommodate impounded stray or abandoned dogs, cats and other specified animals that are ultimately euthanized” and that the existing facilities could not. Further, while the 1998 census data detail has since been destroyed or lost, this census total was provided in the initial and subsequent claims. Thus, we ask that the State consider applying the 1998 census pro-rata ratio calculation to these costs, disallowing only those costs that exceed the state mandate’s pro-rata share.

Finding 5 –

Overstated care and maintenance costs – the County concurs with the finding and recommendation.

Finding 6 –

Understated holding period costs – the County concurs with the finding and recommendation.

Finding 7 –

Overstated feral cat costs – the County concurs with the finding and recommendation.

Finding 8 –

Unallowable lost-and-found list costs – the County concurs with the finding and recommendation.

Finding 9 –

Overstated non-medical records costs – the County concurs with the finding and recommendation.

Finding 10 –

Understated necessary and prompt veterinary care costs – the County concurs with the finding and recommendation.

Finding 11 –

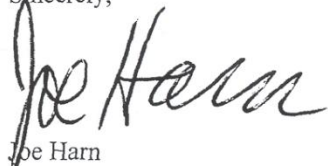
Understated procuring and equipment costs – the County concurs with the finding and recommendation.

Finding 12 –

Overstated offsetting revenues – the County concurs with the finding and recommendation.

If you have any questions, please contact me at (530) 621-5487.

Sincerely,

A handwritten signature in black ink, appearing to read "Joe Harn". The signature is written in a cursive, flowing style.

Joe Harn  
El Dorado County Auditor-Controller

**State Controller's Office  
Division of Audits  
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